BİM

TOPTAN FİYATINA PERAKENDE SATIŞ

# ANNUAL REPORT 2009

# Contents

# ABOUT BİM

Driven by its mission to offer high quality products to customers at the best possible prices, BİM has become one of the leading companies in the organized retail sector. It has achieved this without making any concessions on its quality service concept since its inception.

In 2009, BİM maintained its policy of raising the number of stores along with revenue. The achievement of a 25% growth in sales is one of the clearest indicators of success. By opening four new district offices, together with 343 new stores in 2009, BİM has positioned itself among the companies achieving the fastest growth in the retail sector, with a total of 2,628 stores in 27 different regions. In the previous year, sales growth was higher than profitability; this year however, the increase in profitability outpaced sales. In 2009, BİM achieved an 86% increase in profit.

According to research conducted by Deloitte Touche and based on 2008 data, BİM ranked in 241st place among the largest 250 retail companies. Furthermore, it ranked 9th among the fastest growing retail companies between 2003 and 2008, with an average growth rate of 31.4%.

Continuously keeping customer satisfaction at the forefront, BİM resembles a large family with employees, suppliers and stakeholders. All members of this large family have contributed to this healthy journey.

PENETRATION

15%

2009: 2,628 Stores

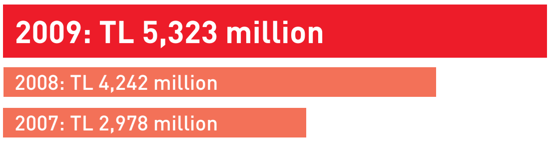
2008: 2,285

2007: 1,734


BİM is the most extensive retail company, with 27 district offices and a presence in 73 out of 81 cities in Turkey.

NET SALES

25%


2009: TL 5,323 million
2008: TL 4,242 million
2007: TL 2,978 million


Since BİM is the most important player in the hard discount sector, we managed to increase our profitability and were only slightly affected by shrinking demand.

NET PROFIT

86%

**2009: TL 212.9 million**

2008: TL 114.2 million

2007: TL 108.5 million


The greatest reason behind BİM's 86% increase in net profit is the focus on productivity along with healthy growth.

# Main Highlights

In 2009, BİM continued to steadily increase the number of its stores along with its revenue and recorded a 25% growth in sales.

Financial reports are prepared pursuant to the CMB's Communiqué Series: VII No: 29 and in accordance with IAS/IFRS. The Company's subsidiary in Morocco has been consolidated with the full consolidation method for the first time as of June 30, 2009. It has since been reflected in financial statements.

**Consolidated Financial Highlights** (TL million)

| | 2008 | 2009 | Change % |
|---|---|---|---|
| Net Sales | 4,242 | 5,323 | 25 |
| Total Sales of Private Label Products | 2,357 | 3,103 | 32 |
| Net Profit | 114.2 | 212.9 | 86 |
| Net Profit Margin (%) | 2.7 | 4.0 | |
| EBIT | 145.9 | 258.7 | 77 |
| EBIT Margin (%) | 3.4 | 4.9 | |
| EBITDA | 189.2 | 314.2 | 66 |
| EBITDA Margin (%) | 4.5 | 5.9 | |
| Total Assets | 839.0 | 1,099.7 | 31 |

**Operational Highlights****

| | 2008 | 2009 | Change % |
|---|---|---|---|
| Number of Stores* | 2,285 | 2,628 | 15 |
| Average Number of Employees | 12,769 | 14,541 | 14 |

* As of year's end
** Includes operations in Turkey only. By the end of 2009, there were 25 stores and 188 employees at the subsidiary in Morocco.

# Corporate Profile

## BİM guides its development through a cost effective management policy without sacrificing its concept of quality and keeping customer satisfaction a priority.

Since operations began in 1995 with just 21 stores, BİM (Birleşik Mağazalar A.Ş.) has operated on the principle of supplying the highest quality basic food and consumption items to consumers at the best possible price. As the first hard discount model in Turkey, BİM's product portfolio consists of nearly 600 products, with the objective of holding a great number of private label products.

In 2009, BİM continued to steadily increase the number of its stores along with its revenue and recorded a 25% growth in sales, a clear indicator of its success. By opening four new district offices, together with 343 new stores in 2009, BİM is positioned among companies achieving the fastest rate of growth in the retail sector, with a total of 2,628 stores in 27 different regions. In 2008, the Company's sales growth was higher than its profit, however, one year later in 2009, profit outdistanced sales with an 86% growth rate.

Aiming to continue this stable growth trend in 2010 with new store openings, BİM will guide its development through cost effective management without sacrificing its concept of quality and keeping customer satisfaction a priority.

BİM will continue to build its trust-based relationships with stakeholders, led by suppliers and the provision of excellent service by all employees.

# Service Philosophy

**BİM** believes that serving the interests of its customers is more important than achieving high short-term profit.

**BİM** offers top quality products at the best possible prices.

**BİM** has a no-questions-asked return policy.

**BİM** offers high quality products especially manufactured for customers.

**BİM** customers pay for the product itself, not the packaging or the brand.

**BİM** displays products in their original cardboard boxes to avoid unnecessary store displays.

**BİM** leases stores at optimum rates in locations best suited for customer convenience.

**BİM** avoids excessive advertising that could be reflected in the price of products.

**BİM** BİM stores have simple, plain decoration.

**BİM** employs a sufficient number of personnel required for uninterrupted service.

# Milestones

**1995:** BİM commences operations with 21 stores.

**1996:** BİM opens its 50th store.

**1997:** The first private label product in Turkey, Dost Milk, mades its debut. BİM opens its 100th store.

**1999:** Spot products offered to consumers at BİM stores for the first time.

**2000:** BİM opens its 500th store.

**2001:** BİM opens 87 additional stores in spite of the economic crisis.

**2002:** BİM begins accepting credit cards at its stores.

**2003:** Net sales exceed TL 1 billion.

**2004:** The 1,000th BİM store opens.

**2005:** BİM offers 44.12% of its shares to the public.

**2006:** The number of BİM stores reaches 1,454, together with a 32.8% increase in revenue.

**2007:** BİM Board of Directors authorizes company management to initiate activities in Morocco. BİM increases its number of stores to 1,734 and achieves a 34% revenue increase.

**2008:** BİM increases its paid-in capital to TL 75,900,000, fully covered by internal sources. BİM increases the number of stores to 2,285 and achieves a 42% increase in revenue.

**2009:** BİM starts its first overseas operation with the stores in Morocco.

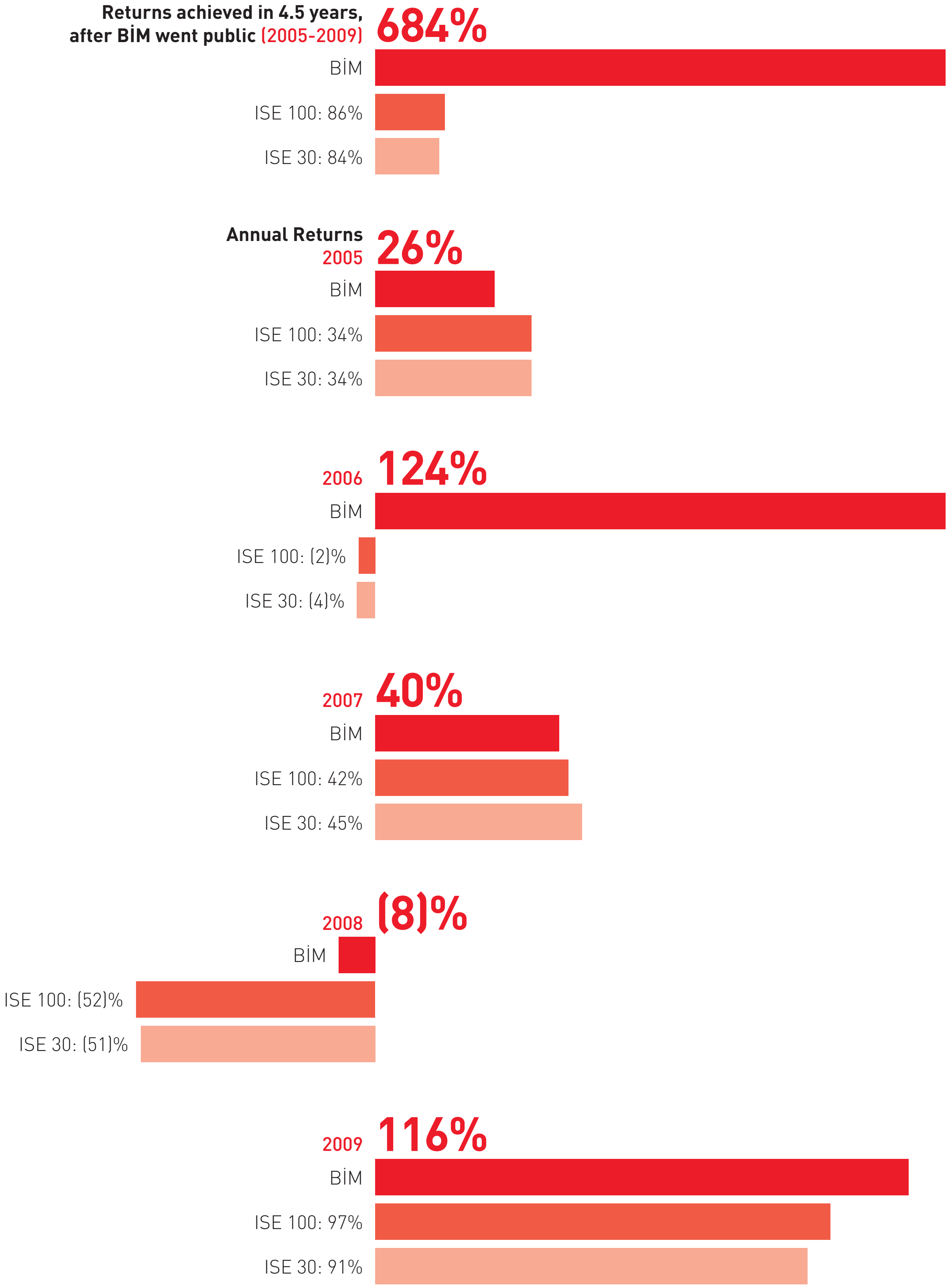
# Investor Relations

Thanks to a correct business model and successful operations, BİM continued to deliver high returns to its investors.

BİM went public in July 2005 and it has continued to deliver profitable returns to its investors. In the last four and a half years, the Company delivered a 684% return to investors. On the Istanbul Stock Exchange (ISE) 100 and ISE 30 indexes, this figure is up to 86% and 84% respectively.

BİM is among those rare companies able to distribute high dividends despite its strong growth trend and corresponding strength in the amount of investments.
In 2009, TL 94.9 million from 2008's profit was distributed as dividends.

As of March 17, 2010, the Company's Board of Directors recommended to discuss the issues of distribution of a gross cash dividend of TL 132.8 million from profit earned in 2009 and increase the Company's paid-in capital by 100%, to be fully covered by internal sources, by bonus issues in the Ordinary Shareholders Meeting 2009.


Returns achieved in 4.5 years, after BİM went public (2005-2009)
684%
BİM
ISE 100: 86%
ISE 30: 84%
Annual Returns
2005
26%
BİM
ISE 100: 34%
ISE 30: 34%
2006
124%
BİM
ISE 100: (2)%
ISE 30: (4)%
2007
40%
BİM
ISE 100: 42%
ISE 30: 45%
2008
(8)%
BİM
ISE 100: (52)%
ISE 30: (51)%
2009
116%
BİM
ISE 100: 97%
ISE 30: 91%

# Board of Directors' Report

We are confident that we will maintain a healthy rate of growth at the same pace with regard to store numbers, district offices, sales and profitability in the year 2010, as well.

2008 was a year marked by the impact of the global financial crisis, which continued into 2009 and led to the shrinkage of the world economy. Following this global recession, developed and developing countries started showing signs of recovery thanks to extensive measures taken by their governments. Hopes are increasing that sectors affected by the crisis can get through the process with minimum damage. The retail sector was also hit, although the impact remained at a minimum. It is expected that the process will take a more positive turn in 2010.

By the end of 2008, BİM had 2,285 stores and 23 district offices; in 2009, BİM added 343 new stores and four district offices, increasing the number of stores to 2,628 and district offices to 27. With the new warehouses to be opened in Istanbul, Düzce and Ankara, the number of district offices will increase to 30 during 2010. In spite of the current global economic crisis, BİM has managed to grow by 25%. Net profit rose to 86% due to the Company's focus on productivity along with healthy growth.

According to research conducted by Deloitte Touche and based on 2008 data, BİM ranked 241st among the 250 largest retail companies. Furthermore, we take pride in ranking 9th among the fastest growing retail companies between years 2003-2008, with an average growth rate of 31.4%.

In tandem with our growth within Turkey, we initiated our international operations in Morocco. Efforts to add new countries are underway.

BİM's steady growth continued in 2009 and we are confident that we will maintain a healthy rate of growth at the same pace with regard to store numbers, district offices, sales and profitability in the year 2010, as well.

We finished 2009 pleased with our accomplishments and confident that 2010 will bring continued success. We would like to thank our employees, our customers and suppliers and all stakeholders in this journey of success. We would like to emphasize again that we strongly believe that our dynamic rate of growth will continue in the period ahead.

Sincerely,
**Board of Directors**

# Message from the Executive Committee

In 2009, we opened 343 new stores and four district offices; our store numbers now total 2,628 with 27 district offices.

Dear Esteemed Stakeholders,

The severity of the global financial crisis, which many compare to the Great Depression, was felt in the last quarter of 2008. This was followed by a period of recession felt by global economies in the first half of 2009. Markets in developed and developing countries began showing signs of recovery due to extensive measures taken by their governments. It is believed that sectors affected by the crisis will recover with the least damage.

The Turkish economy shrunk significantly due to the decreasing global economy during the end of 2009. Nevertheless, Turkey demonstrated successful crisis management and became one of the countries drawing global attention. Turkey has doubled its share of world trade since 2000 thanks to accelerated growth in foreign trade volume. Today, Turkey holds the 8th position among the largest European economies and has become the world's 17th largest economy.

The food retail sector in which BİM operates continued its growth in 2009. The main reason behind this growth is that the organized food retail business has gradually increased its share each year despite its conventional structure. In Europe, 80-90% of the food retail sector is organized when compared to the total food retail sector. In Turkey, only 45% of the food retail sector is organized, which is an indication that there is a long way to go. Despite the 8.4% decrease in GDP in the first nine months' term, the food retail sector achieved a 4% growth rate during 2009. The ability to continue growing during a crisis period demonstrates that the sector has a more defensive structure when compared to other sectors.

BİM ranks first among the leading companies, with the largest share of growth in the organized retail sector. In 2009, we opened 343 new stores and four district offices; our store numbers now total 2,628 with 27 district offices. Our average number of customers per day increased to 1,900,000. With the new warehouses planned to open in Istanbul, Düzce and Ankara, our district offices will reach 30 during 2010. The ratio of sales of private label products to total sales increased and reached 58% in 2009.

Apart from the 25% growth achieved, BİM's profit rose to 86% in 2009. The main cause for this enhancement is that we focus on productivity while continuing to expand; therefore, growth in 2009 was based on productivity. Since we are the most important player in the hard discount sector, we managed to increase our profitability and were only slightly affected by shrinking demand. Gains derived from the improvements in operational costs and the rapid fall in food prices due to the

# Message from the Executive Committee

crisis, resulted in the improvement of BİM's costs to the rise of its profit margins.

BİM is the most extensive retail company with 27 district offices and a presence in 73 cities from a total of 81 across Turkey. BİM's hard discount business model has been the key to the successful rise in our business since the beginning. The most important feature of this business model is to be able to procure quality products at affordable prices that are passed on to the customer. BİM keeps operational costs at the lowest possible level, without undermining service or compromising on product quality; the objective is to pass on gains in the form of price reductions. BİM's principle of keeping it simple enables this business model to be applied successfully.

BİM operations in Morocco began with the opening of the first ten stores on April 11, 2009, in the city of Casablanca. By the end of 2009, we had 25 stores in Morocco, all located in Casablanca. Employees total 188, including a managerial staff of 16. As for 2010, a store is set to open in the capital city of Rabat; store numbers will continue to be increased.

Investors are pleased with BİM's market performance and obtain cash dividends from the Company regularly. Our market value increased by 116% during 2009. Within the last two years since the outbreak of the crisis, while the ISE 100 and ISE 30 indexes changed negatively at 5%, BİM share value increased by 99%. As an indication of our success, BİM ranks among those rare companies that provide investors with high returns even in times of crisis.

In 2010, we plan to open over 300 stores in Turkey and approximately 40 stores in Morocco, along with three new district offices in Turkey. We are strongly committed to continue growing well into the future.

We would like to thank all of our employees and customers for trusting us and our shareholders and suppliers, who share our journey of success.

Mustafa Latif Topbaş
**Committee Charmain**

Galip Aykaç
**Committee Member**

Haluk Dortluoğlu
**Committee Member**

# Board of Directors and Executive Committee

## BOARD OF DIRECTORS

### Mustafa Latif Topbaş

Mustafa Latif Topbaş was born in 1944 in Istanbul and began his career in 1961 as a partner and executive at Bahariye Mensucat, a family-run business in the textile sector. In the following years, he was an executive in various industrial and commercial companies. In 1994, Topbaş became a founding partner of BİM and was appointed Vice Chairman of the Board. He has served as Chairman of the Board since 2005 and Chairman of the Executive Committee since January 2010.

### Ekrem Pakdemirli

Ekrem Pakdemirli was born in 1939 in İzmir and graduated from Middle East Technical University. Pakdemirli completed his PhD at Imperial College, London. He was appointed Deputy Undersecretary in the State Planning Organization, served as Undersecretary in the Treasury and Foreign Trade and as Minister in the Ministry of Transport and Communication. He subsequently became Minister of Finance and Customs, then Deputy Prime Minister. Occasionally, he has served as acting Prime Minister. Pakdemirli has served as an Executive Board member at Akbank; at present he is a Vice President at the Vestel Group and an Executive Board member at Sinpaş Construction Company. Since June 2005, he has served on the BİM Executive Board; since April 2008, he has been Vice Chairman of the Board.

### Mahmud Merali

Mahmud Merali was born in Mombasa, Kenya in 1952. Following completion of his higher education he began his career as an audit expert for publicly traded companies where he gained extensive experience in auditing, accounting, taxation and international taxation subjects. Merali has over 30 years of experience with regard to auditing publicly traded companies, taxation and more specifically, international taxation. He has a financial advisor certificate (ICAEW-UK, CPA-Kenya and ZICA-Zambia membership) and serves as a consulant to a multi-national company in Kenya, one of the largest investment companies in Dubai and one of the largest poultry producers in Saudi Arabia. He has been serving as a BİM Board member and chairing the Audit Committee since January 2005.

### Jos Simons

Jos Simons was born in Raalte, Holland in 1945. He graduated from the Top Management Program at the University of Nijenrode HDS and has proven track record of over 35 years in the retail market. He served as General Manager for more than ten years in Aldi, Holland and has managed his own consultancy firm for the retail market. Simons was General Manager for five years at Vendex Food Group, at the time, one of the largest food retailer in Holland. Starting in 2001, he was Chairman of the Operation Committee (COO) at BİM; and in January 2006, he was appointed CEO. In April 2008, he served as a BİM Board member. He retired from his CEO position as January 1, 2010 and he continues as a Board member and consultant.

### Ömer Hulusi Topbaş

Ömer Hulusi Topbaş was born in Istanbul in 1967 and began his career as a sales executive at Bahariye Mensucat A.Ş. between the years 1985 to 1997. From 1997 until 2000, he was employed at Naspak Ltd. Company where he served as Purchasing Manager in Seranit A.Ş. from 2000 until 2002, when he became General Manager at Bahariye Mensucat. Since June 2005, he has served as a BİM Board member.

### Yalçın Öner

Yalçın Öner was born in Araç, in the province of Kastamonu in 1938. Following his graduation from the Faculty of Political Science, he became an assistant tax inspector at the Ministry of Finance. Between 1959-1970, he served as tax inspector and as Director of Loans at Devlet Yatırım Bankası from 1971 to 1978. Then, between the years 1978-2004, he served as the Assistant General Manager of Yatırım Finansman A.Ş. He got his Master's degree in the field of Public Policy at the University of Minnesota between the years 1969-1971. He retired from Al Baraka Türk Ö.F.K. after serving

# Board of Directors and Executive Committee

as the founding General Manager and a member of Board of Directors from 1985 until 1995. He continues to serve as a Board member of Al Baraka Türk Katılım Bank. Since April 2007, he has served as a BİM Board member.

### Dr. Zeki Ziya Sözen

Zeki Ziya Sözen was born in Harmancık in 1956 and graduated with High Honors from Middle East Technical University, Department of Chemical Engineering. He later completed his post graduate degree at the same department. He earned his PhD from British Columbia University, Department of Chemical Engineering in Canada. He won top honors in the Chemical Engineering Exams organized by TUBİTAK in 1979 and 1980. Sözen began his career in Nyköping Energiteknik AB in Sweden as Research Manager and served as Vice President at Yaşar Holding A.Ş., Assistant General Manager at Pınar Süt Mamulleri San. A.Ş and General Manager at Mis Süt San. A.Ş. This was followed by serving as General Manager at Ak Gıda A.Ş. Sözen also served as R & D and Business Development Group Director at Yıldız Holding A.Ş. between 2003 and 2009. Currently, he is the Director of the Food, Frozen Products and Personal Care Group and has been chosen as one of the 35 most successful executives in the history of the Turkish Republic. Since April 2006, he has been a BİM Board member.

## EXECUTIVE COMMITTEE

### Mustafa Latif Topbaş

Mustafa Latif Topbaş was born in 1944 in Istanbul and began his career in 1961 as a partner and executive at Bahariye Mensucat, a family-run business in the textile sector. In the following years, he was an executive in various industrial and commercial companies. In 1994, Topbaş became a founding partner of BİM and was appointed Vice Chairman of the Board. He has served as Chairman of the Board since 2005 and Chairman of the Executive Committee since January 2010.

### Galip Aykaç

Galip Aykaş was born in Akdağmadeni, Yozgat in 1957. He served at several executive positions at Gima, the first organized food retail chain in Turkey, for over 18 years. In 1997, Aykaç started his work career as Purchasing General Manager at BİM. As of March 2000, he was appointed as an Operation Committee member; as of November 2007 he became the COO and he still serves in that capacity. As of January 2010, Aykaç has been a member of the Executive Committee; he is also a member of the Turkish Retail Committee, established by Union of Chambers and Commodity Exchanges. Aykaç serves as a Board member of the Shopping Centers and Retailers Association. Additionally, he is a member of the TOBB-GS1 Turkey Committee, a part of the GS1 International Standards Center operating within the Union of Chambers and Commodity Exchanges.

### Haluk Dortluoğlu

Haluk Dortluoglu was born in Aksehir in 1972. He graduated from Boğaziçi University's Department of Management in 1995. Afterwards, he worked at independent international audit companies, Arthur Andersen and Ernst & Young for eight years. He served as Turkish Airlines Accounting Director from 2003 until 2005. Starting in November 2005, Dortluoğlu served as Finance Director (CFO) at BİM and an Operation Committee member between 2006 and 2009. In 2007, he completed the advanced management program at Harvard Business School. According to research results conducted by Thomson Reuters Extel, Dortluoğlu was cited as one of the best three CFO's in Turkey in 2009. The same year, he was awarded the "CFO of the year" by the economy magazine, Finance in Emerging Europe. Currently, he continues to serve as CFO and as of January 2010 is a member of the Executive Committee.

# Retail Sector in Turkey

BİM operates in the food retail sector, which is currently structured conventionally. Each year, organized food retail takes a greater share from the conventional structure and is growing steadily. In the first nine months' period, the GDP shrunk by 8.4%. According to the data provided by the Shopping Centers and Retailers Association, the organized food retail sector achieved an increase of 4% during the year. BİM's ability to continue growing during the crisis demonstrates that the sector has a more defensive structure when compared to other sectors.

Despite the crisis environment, the organized food retail sector carries out its investments as in previous years. Sales area in square meters increased by 20% and 15% during 2008 and 2009. Discount retail is the dominating trend both in the international retail sector and in Turkey. This can be derived from the fact that the majority of the investment concentrated on the sub-concept of discount retail was pioneered by BİM. The difficulty to find suitable places for hypermarkets and rising prices in large cities, finding store locations for the discount model conveniently and customers' habit of shopping on-foot (64% of the household, according to Nielsen Zet data) are the reasons behind this concentration.

Although the employment rate in the sector increased by 13% during the previous year, it lost its momentum and decreased by 1% in 2009.

Regarding the food retail sector, BİM ranks first in store numbers and second in sales. BİM is the pioneer of the hard discount segment, which is a sub-segment of the sector. BİM managed to achieve a higher performance than the sector average with a 25% growth rate and a 9% increase in employment.

According to the research conducted by Deloitte Touche and based on 2008 data, BİM ranked 241st among the 250 largest retail companies. Furthermore, it achieved the 9th place among the fastest growing retail companies between 2003 and 2008, with an average growth rate of 31.4%.

## Differences Generated by BİM in the Retail Sector

- Decentralized Organization
- Hard Discount Business Model
- Cost-effective Management
- High Stock Turnover Rate
- Own Logistics System
- Product Range


BIM
Sole
AYÇİÇEK YAĞI
EFSANE
süt

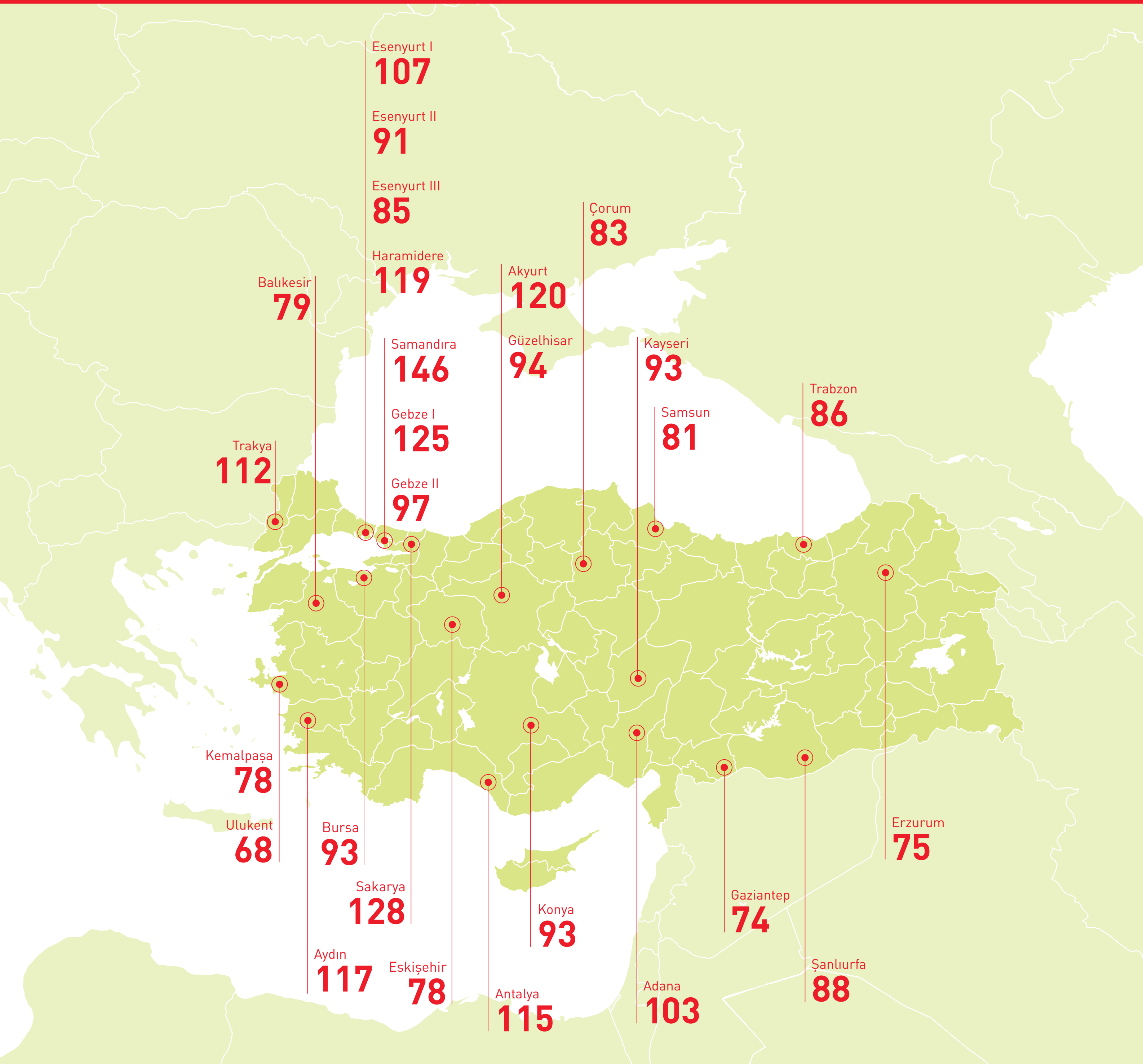
# Distribution of Stores by Regions

In 2009, BİM emphasized productivity and training. In the same period, 343 stores and four district offices were opened in Turkey.

Morocco

**25**

As the first overseas venture, Moroccan operations are owned 100% by BİM. BİM had 25 stores in this country by the end of 2009.


Esenyurt I
107
Esenyurt II
91
Esenyurt III
85
Haramidere
119
Balıkesir
79
Samandıra
146
Gebze I
125
Gebze II
97
Trakya
112
Akyurt
120
Güzelhisar
94
Çorum
83
Kayseri
93
Samsun
81
Trabzon
86
Kemalpaşa
78
Ulukent
68
Bursa
93
Sakarya
128
Aydın
117
Eskişehir
78
Antalya
115
Konya
93
Adana
103
Gaziantep
74
Şanlıurfa
88
Erzurum
75

# Differences Generated by BİM in the Retail Sector

BİM A.Ş. is based on the principle of keeping operational costs at the lowest possible level, with the objective to pass on gains to customers in the form of price reductions.

**DECENTRALIZED ORGANIZATION**

BİM has the largest share of Turkey's steadily growing organized retail sector. BİM's successfully implemented business model is the most important factor for this rapid growth. For years, BİM has maintained its position as the company achieving the highest rate of growth among the companies in the sector.

BİM has a decentralized organizational structure and is organized through regional offices that are managed by general managers, with their own staff and warehouses. The fundamental characteristic of this organization is that management is stripped of centralization. The number of regional offices increased from 23 to 27 in 2009.

In 2010, the number of district offices will increase to 30. The Company is planning to open a new district office in Düzce and there are plans to open the eighth district office in Istanbul and a third one in Ankara.

**BİM'S HARD DISCOUNT CONCEPT**

BİM A.Ş. is based on the principle of keeping operational costs at the lowest possible level, with the objective to pass on gains to customers in the form of price reductions. BİM, the vanguard of the discount model in Turkey with its organizational structure, cost-effective management and limited product portfolio, bases its hard discount concept on three main components:

- Accelerating decision making and implementation processing by building a dynamic logistics and information network between regional offices and stores based on a decentralized organizational structure,
- Avoiding any excessive expenses that could result in an increase in product prices, minimizing management, store decoration, personnel, distribution, marketing and promotion costs,
- Having around 600 products in its product portfolio in order to maintain quality standards controls in the most effective manner and to ensure that products are offered to the customer at the best possible price.

Owing to its high purchasing power, BİM is the major purchaser of most of the products it sells. In this way, it encourages its suppliers to keep quality production at lower costs and is therefore able to procure quality products at affordable prices.

## BİM'S COST MANAGEMENT

BİM maintains its position as a leader in branch networks in the organized retail sector by implementing a policy of cost-effective management in all its operations.

Today, as the owner of the most extensive store network in its sector, BİM acts in line with the following principles for cost management operations:

**1.** Renting stores in general.
**2.** Instead of opening high-cost stores on main streets, offering service from by-streets in the same area.
**3.** Employing a workforce sufficient to maintain uninterrupted service in its stores; and dividing the workload among part-time employees through efficient human resources planning.
**4.** Store decoration is kept as simple as possible. Using a minimum of shelving, keeping costs to a minimum, result in low product prices.
**5.** Keeping promotion and advertising expenditures at a proper level.
**6.** Managing distribution of its products through its own logistics channel.
**7.** Limiting the product portfolio and making large quantity purchases from suppliers at lower prices.
**8.** Including as many private label products as possible in the product portfolio.
**9.** Keeping daily cost accounts, implementing effective cost inspection and having the ability to take immediate action when required.
**10.** Finding, developing and implementing new saving methods.

# Differences Generated by BİM in the Retail Sector

In 2009, approximately TL 95 million of cash dividend distribution and TL 133 million in investments were effectuated.

## BİM'S INVENTORY MANAGEMENT

BİM conducts its inventory management through advanced software used extensively worldwide. The stock managed by district offices is effectively monitored during their transfer from warehouses to stores and from stores to customers. Automatic inventory control records are maintained with specially designed software. Regular monitoring is performed at predetermined intervals, comparing inventories from stores and warehouses with the data from the records.

## BİM'S SOURCES OF FINANCE

By conducting its activities with a negative net working capital, BİM is able secure a majority of its own funding thanks to its cash collection capability. In addition to operational cash outflow, approximately TL 95 million of cash dividend distribution and TL 133 million in investments were effectuated in 2009. The first overseas venture, which began in Morocco in 2009, was financed completely by the Company's own financial resources, without taking loans.

## BİM'S PRODUCT RANGE

BİM has adopted a detailed and precise working method for product selection and pricing. Products to be sold in stores are meticulously selected to meet the daily basic needs of a household.

The key criteria for the composition of the product portfolio are high quality and low price.

**Products offered by BİM to its customers are divided into four main categories:**

**Private Label Products:** BİM is the pioneer of private label products in Turkey. The high-quality private label products offered in BİM stores are produced solely by suppliers chosen by BİM. BİM exclusively owns the brand names and formulas for these products. The most significant aspect of these product is that they are sold at prices 15-45% lower than similar products of the same quality. The ratio of sales of private label products sold in BİM stores to total sales increased up to 58% in 2009. The Company recognizes the importance of private label products and has plans to consistently continue to increase the sales rate.

As the pioneer of private labels in the organized retail sector with Dost Süt, BİM attributes great importance on its activities in this field.

Over time, regular BİM customers have exhibited a tendency to purchase private-label products. BİM aims to encourage this trend in the coming years by further focusing on private label products in its limited products portfolio.

**Spot Products:** These products are offered to consumers in weekly periods and are stocked for a short-term. They have a long shelf life. Spot products increase the number of customers visiting stores and help boost the sales of standard listed products as well.

**Exclusive Products:** Branded products offered in package sizes and contents specially designed for BİM.

**Branded Products:** These are branded products that are widely recognized in the market.

## FOOD SAFETY

BİM A.Ş. guarantees compliance to official standards and assumes full responsibility in this regard.

As part of this responsibility, the Company has established a sound communications chain, from suppliers to customers, and is using the ISO 22000 Food Safety Management System.

As a supplier of safe products that fully and continuously meet the requirements of its customers in an affordable and timely manner, BİM continuously adopts improvements in food safety.


BİM

# Review of 2009 Activities

Its successfully applied business model is the most significant factor for BİM's stable growth, illustrated by the 140% increase in its sales volume over the last three years.

**Net Sales**

25%

**2009: TL 5,323 million**

2008: TL 4,242 million

2007: TL 2,978 million

**Total Sales of Private Label Products**

32%

**2009: TL 3,103 million**

2008: TL 2,357 million

2007: TL 1,519 million

**Number of Stores**

15%

**2009: 2,628**

2008: 2,285

2007: 1,734

Throughout 2009, BİM experienced financial and operational success. Net sales increased by 25%, while the number of stores increased to 2,628 with 343 newly opened stores in Turkey and 25 in Morocco. Thus, BİM has upheld its position as the most extensive retail store network in 2009 as well. Its cost effective management, steadily increasing store count and nationwide district offices played a significant role in this success.

Its successfully applied business model and high growth potential in the Turkish organized retail sector are significant factors for BİM's stable growth, illustrated by the 140% increase in its sales volume over the last three years. Fluctuations in foreign exchange do not affect BİM's operations since BİM carries out its transactions in Turkish lira only. Inventory losses and shrinkages are considerably below the sector average.

Average price increases for BİM products remained under the 2009 inflation rate for food and non-alcoholic beverages.


In 2009, BİM managed both to continue investments and distribute high amounts of cash dividends. The Company distributed a gross dividend of TL 94,875,000 in 2009, while undertaking a TL 133 million investment that same year.

BİM, increasing the number of stores in 2009 from 2,285, up to 2,628, has maintained its second place ranking in the sector through consolidated sales volume of TL 5,323 million.

Donations for the year will be presented during the Ordinary General Assembly as per the Articles of Association.

## INVESTMENT POLICY AND 2009 INVESTMENTS

BİM prefers growing organically rather than through acquisitions. Therefore, BİM achieves investments by opening new stores and district offices. Instead of buying stores, BİM rents them and keeps their decoration as simple as possible. This helps BİM keep investments to stores at relatively low levels.

BİM establishes regional offices generally by buying the land and building a warehouse and regional offices. BİM owns three of the four regional offices that started operating in 2009, the remaining one is rented. By the end of 2009, it had acquired ownership of 18 of its 27 regional offices.

BİM, continuing investments during the economic crisis, realized an investment of TL 133 million. Those investments were financed completely by its own equity.

# Review of 2009 Activities

BİM maintained its position as a profitable, expanding Company throughout 2009. With the new openings, the number of stores increased to 2,628 in Turkey and to 25 in Morocco.

## MOROCCAN OPERATIONS AND PRINCIPLES OF CONSOLIDATION

As the first overseas venture, operations in Morocco are 100% owned by BİM.

Due to its proximity to Europe, Morocco has a more developed structure with regard to culture, economy, infrastructure and politics when compared to other African countries. It has a population of 32 million and a GNP per capita at US$ 3,000 on average. The country is developing and achieved a growth rate of 5.6 % in 2008. According to IMF data, growth in 2009 is expected to reach 5% despite the global crisis.

BİM's operations in Morocco started with the opening of the first store on April 11, 2009 in Casablanca. By the end of 2009, there were 25 stores, all located in Casablanca. There are a total of 188 employees, of which, 16 are management staff; all employees are native Moroccans. In 2010, a store is set to open in the capital city of Rabat and there are future plans to increase store numbers. BİM utilizes the same concept implemented in Turkey and has limited the product portfolio to 550 items.

Moroccan operations are fully financed by BİM's own resources and external loans have not been utilized.

BİM is the first food retail company with the hard discount model in Morocco. Market penetration of the food retail sector in the country is only at a 15% level, lower than that of Turkey. However, this ratio is growing rapidly each year.

The subsidiary in Morocco has been consolidated with the full consolidation method in the financial statements of June 30, 2009 for the first time. It has since been reflected in financial statements.

## STORES AND STORE MANAGEMENT

In 2009, BİM emphasized productivity and training. In the same period, 343 stores and four district offices were opened in Turkey, whereas, 25 stores and one district office were opened in Morocco. Newly opened stores are not concentrated in a single region, but evenly distributed throughout Turkey. One of the top priorities of BİM is to expand its activities all across Turkey.


BİM maintained its position as a profitable and expanding company in 2009. Concurrently with new openings, the number of stores increased to 2,628 and district offices to 27.

BİM places as much importance on expansion throughout Turkey as to enhancing the performance of current stores. In 2009, a 7% increase was achieved in sales performance at stores that have been operating for more than two years.

BİM stores avoid excess costs for decoration and product promotions and the savings from these limitations are reflected in product prices. This policy is one of the most important elements of BİM's cost management strategy. In addition, BİM implements a no-questions-asked return policy in its stores to best serve the interests of its customers. According to this policy, a customer may, at any time, return a product purchased without citing any reason for their decision. The company pays special attention to the prices of products sold in stores, as well as their quality. The purchasing department ensures that each product undergoes quality and conformity tests prior to being put on sale. Product quality is also regularly checked at the selling stage.

BİM's decentralized organization allows for regional self-management and exclusive focus on the region concerned which in turn enhances productivity. BİM's growth perspective in the upcoming period will also be guided by this decentralized organization model.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# Human Resources

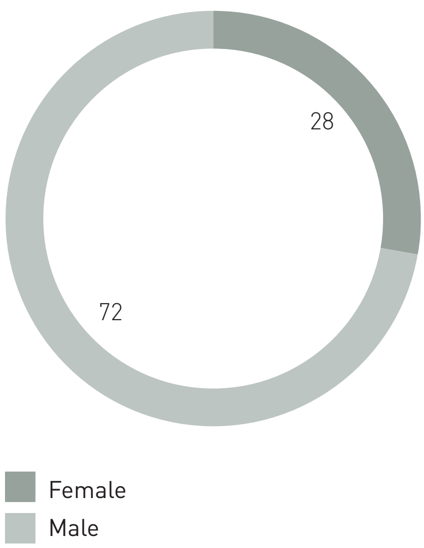
With a young and dynamic work force, BİM's senior management consists of qualified, competent individuals with proven track records in the organized retail sector.

BİM offers its employees a working environment in which they can develop their professionalism and individuality. Thanks to the Company's policy of awarding outstanding performance, employees are encouraged to use their potential and skills. Effective human resources management has been implemented to optimize competence and skill at every level of the organization. With a young and dynamic work force, BİM's senior management consists of qualified, competent individuals with proven track records in the organized retail sector. The majority of management staff is made up of employees who either started their careers at BİM or who have been with the Company since the beginning. They have advanced due to their exemplary performance. BİM's steady rise in the sector depends in the performance and motivation of its employees and in turn, employees are aware that successful performance is the key to a prosperous career. Due to its decentralized organization, the Company provides a working environment for young managers where they can take the initiative and advance their expertise. Consequently, BİM is where senior managers of the future are trained.

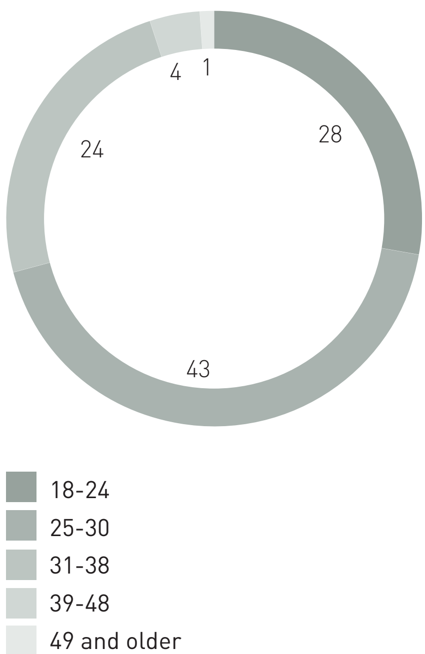
In 2009, the number of BİM's employees increased by 9%. Today, BİM employs over 14,904* personnel. Possessing the most extensive retail network in Turkey, employment opportunities provided by BİM do not impact just a single region, but the entire country. BİM has continued to create employment potential even during the global crisis. It will continue to contribute to the national economy by opening new stores and district offices in 2010.

* As of year end 2009

**Human Resources Profile (%)**




**Number of Employees (By Age) (%)**



# Corporate Governance Principles Compliance Report

## Corporate Governance Principles Compliance Report

### 1. Statement of Compliance with Corporate Governance Principles

The Company has diligently adhered to the Corporate Governance Principles published by the Capital Markets Board; efforts to eliminate any shortcomings depending on developing conditions in this regard are ongoing.

Along with the organizational change that took place within this period, the reporting line of the CFO position has been changed from Operations Committee to CEO. In addition, a three-person Executive Commitee whose members are Chairman, CFO and COO was created, effective as of January 1, 2010. The Committee took over the authorities, duties and responsibilities of the CEO after his retirement.

The Board approved and put into effect the Company's public announcement policy in 2009. The policy is comprised of standards that will be applied when providing information to the public. The public announcement policy was publicized on the Company's website (www.bim.com.tr).

The Company appointed an investor relations manager who holds Capital Market Activities Advanced Level Licenses and Corporate Governance Rating Specialist Licenses and who has the expertise needed to meet the commitments as per capital markets and ensure coordination in corporate management practices.

## Part I-Shareholders

### 2. Investor Relations Unit

BİM set up an Investor Relations Unit under the Chief Financial Officer in 2005 to establish communications between Company management and shareholders and to properly, accurately, promptly and efficiently provide information to all shareholders and stakeholders.

The manager of this unit is responsible for meeting the requirements of capital market regulations and coordination of corporate governance practices and holds Capital Market Activities Advanced Level License and Corporate Governance Rating Specialist License.

Executive Committee Member and CFO
Haluk Dortluoğlu
Tel: +90 216 564 03 46

Reporting and Investor Relations Manager
Serkan Savaş
Tel: +90 216 564 03 46
E-mail: serkan.savas@bim.com.tr

The main activities of this unit are:

• Keeping shareholder records orderly and reliably; ensuring rapid response to inquiries from shareholders regarding the Company within the context of information disclosed to the public with the exception of publicly undisclosed data and trade secrets, via various communication channels available,

• Ensuring that General Assembly Meetings are held in accordance with the communiqué and preparation of documents presented to shareholders during General Assembly meeting,

• Supervising the public announcement activities of the Company,
• Execute preparatory work for financial results and annual reports,
• Managing communications with regulatory institutions, including the Istanbul Stock Exchange, Capital Markets Board and Central Registry Agency and the follow up of prescribed legal regulations.

During the reporting period, the unit participated in seven investor conferences and further provided information to investors and shareholders in over 160 meetings held at the Headquarters of the Company.

## 3. Exercise of Shareholders' Right to Obtain Information

All shareholders' requests for information are met, with the exception of trade secrets and publicly undisclosed data. Those requests were mostly related to inquiries on the General Assembly, payment of dividends and financial data as well as the Company's future targets. All announcements of material disclosures and publicly disclosed information are available and easily accessible to shareholders on the Company's website (www.bim.com.tr) under the Investor Relations section. Moreover, requests for information from institutional shareholders and analysts of brokerage firms within the year were satisfied via various communication channels such as teleconferences and one-to-one meetings. At the end of each balance sheet period, teleconferences were held to inform and respond to the inquiries of shareholders. Four teleconferences in total were organized during the year.

The Company's Articles of Association do not stipulate granting shareholders the right to request the appointment of a special auditor and no such request was made during the year.

## 4. Information on the General Shareholders' Meetings

### Ordinary General Shareholders Meeting

The Ordinary General Shareholders Meeting of BİM Birleşik Mağazalar Anonim Şirketi convened on Friday, April 24, 2009 at 10:00 a.m. at the registered office of the Company at Abdurrahmangazi Mahallesi, Ebubekir Caddesi, No: 289, Samandıra, Istanbul, under the supervision of the Commissary of the Ministry, Demir İnal, appointed in accordance with the communiqué dated April 22, 2009 no. 22054, issued by the Ministry of Industry and Trade, Istanbul Provincial Directorate of Industry and Trade.

In the meeting, 20,199,251 shares were represented in person and 18,795,568 shares were represented by proxy, for a total of 38,994,819 shares corresponding to the Company's total capital stock of TL 75,900,000.

During the General Assembly, no motion was proposed by shareholders that would necessitate an amendment to the Articles of Association other than agenda items. The Minutes of the General Shareholders' Meeting were announced in the Turkish Trade Registry Gazette issue no. 7313, dated May 18, 2009.

### Extraordinary General Shareholders Meeting

The Extraordinary General Shareholders Meeting of BİM Birleşik Mağazalar A.Ş. convened on Tuesday, November 10, 2009, 10:30 a.m. in the registered office of the Company at Abdurrahmangazi Mahallesi Ebubekir Caddesi No.289 Samandıra, under the supervision of the Commissary of the Ministry Mr. Zafer Karakoç, appointed in accordance with the communiqué dated November 9, 2009, no. 64933 issued by the Ministry of Industry and Trade, Istanbul Provincial Directorate of Industry and Trade.

# Corporate Governance Principles Compliance Report

In the meeting, 20,128,748 shares were represented in person and 18,886,997 shares were represented by proxy, for a total of 39,015,745 shares corresponding to the Company's total capital stock of TL 75,900,000.

In the meeting, a decision was made to distribute dividends from 2008 profit for the second time. In this regard, it was decided to distribute dividend amounting to TL 34,155,000 which was previously stated as extraordinary reserve at the ordinary General Meeting dated April 24, 2009.

Announcements for both general shareholders meetings were made by way of invitation letters and an announcement in the newspaper. Furthermore, prior to the meeting date, the meeting agenda was made public by way of an announcement of material disclosure and published on the Company's website. The minutes of the general shareholders meetings in Turkish, along with its English translation, were posted on the Company's website (www.bim.com.tr) under the Investor Relations section. The minutes have also been made available for shareholder review in the registered office of the Company. The questions asked directly by shareholders were answered in detail orally during the meeting. There was no media participation at these meetings.

### 5. Voting Rights and Minority Rights

All Company shares are bearer's shares. Shares do not entitle any holder to have voting privileges. Shareholders of the Company and their proxies are entitled to one vote for each share they hold at both ordinary and extraordinary General Meetings. Shareholders may appoint one proxy to vote on behalf of the shareholder at the General Meetings. Voting by proxy shall be subject to the regulations of the Capital Markets Board. The Articles of Association do not include any provisions on cumulative voting and minority shares are not represented by management.

### 6. Dividend Payment Policy and Timing

The Company dividend payment policy, as stipulated by the General Assembly, is to distribute a minimum of 30% of the distributable profit gained in respective years. This policy was made public in 2007 through a material disclosure announcement and no change whatsoever has been affected to this policy to date. Any possible changes to the policy will be made public through a material disclosure announcement.

Under the Company's Articles of Association, no privileges are granted on voting rights, nor do privileges exist concerning the distribution of profit. The timeline for distribution of profit is determined at the General Shareholder's Meeting upon the request of the Board of Directors and in accordance with the provisions of the Turkish Commercial Code and Capital Markets legislation. Distribution of 2008 profit has been finalized in legal terms as TL 94,875,000 in cash in total.

### 7. Transfer of Shares

Shares are transferred in accordance with the provisions of the Turkish Commercial Code and other relevant legislation. In the Articles of Association there are no provisions on the limitation of share transfer.

## Part II-Public Disclosure and Transparency

### 8. Company Disclosure Policy

Public Disclosure Policy of the Company was put into force following the approval by the Board of Directors on April 9, 2009. It aims to give information to beneficiaries in line with regulations of the Capital Markets Board (CMB) and Istanbul Stock Exchange (ISE).

According to the policy adopted, all progresses which may result a significant change on the Company's financial situation and/or operations, in line with legislation of CMB, as well as information regarding all other necessary subjects are announced to the public immediately.

From time to time, BİM Management can arrange meetings with media members to share the information open to the public and to answer questions. A copy of the actual statements published in the print media and special circumstance announcements sent to the ISE are published on the Company's website (www.bim.com.tr). Information demands received from the press are gathered by the Company's media consultants, evaluated within Company and replied to in accordance with the announcement policy.

Public announcement policy has been published in the Company web site (www.bim.com.tr). Names and contact information of employees responsible for the implementation of the disclosure policy are provided in Article 2 of the Report.

## 9. Special Circumstance Announcements

The Company made 55 special circumstance announcements in 2009. Within the scope of these announcements, no additional disclosure was adjured by CMB or ISE.

The announcements are also available on the website (www.bim.com.tr).

## 10. Company Website and Contents

The Company's website is www.bim.com.tr. Information concerning shareholders is provided under the Investor Relations section, together with the English translations thereof posted under the following headings:

- Company Name
- Shareholders
- Corporate Governance
- Financial Reports
- Financial Calendar
- General Assembly Information
- Announcements of Material Disclosures
- Notices
- Investor Relations Contact

## 11. Disclosure of Real Person(s) as Ultimate Controlling Shareholders

The shareholding structure of the Company as described below has been publicly disclosed both on the Company's website and in the periodical financial reports. All shares are held by real persons, except those that are publicly traded.

| Shareholder | Number of Shares | Share Ratio % |
|---|---|---|
| Mustafa Latif Topbaş | 14,133,248 | 18.62 |
| A. A. El Khereji | 10,311,300 | 13.59 |
| Ahmet Afif Topbaş | 5,885,500 | 7.75 |
| Zuhair Fayez | 2,994,825 | 3.95 |
| Firdevs Çizmeci | 899,995 | 1.18 |
| Ömer Hulusi Topbaş | 90,000 | 0.12 |
| İbrahim Halit Çizmeci | 5 | 0.00 |
| Other (Publicly-traded) | 41,585,127 | 54.79 |
| Total | 75,900,000 | 100.00 |

## 12. Public Disclosures of Those Who May Have Access to Insider Information

Members of the Board of Directors, auditors, senior management and other Company employees who may have access to insider information are listed below and have been publicly disclosed on the Company's website.

# Corporate Governance Principles Compliance Report

### Board of Directors

| | |
|---|---|
| Mustafa Latif Topbaş | Chairman |
| Ekrem Pakdemirli | Vice Chairman |
| Mahmut P. K. Merali | Board Member |
| Ömer Hulusi Topbaş | Board Member |
| Zeki Ziya Sözen | Board Member |
| Yalçın Öner | Board Member |
| Jos Simons | Board Member |

### Auditors

| | |
|---|---|
| Prof. Dr. Selahattin Tuncer | Auditor |
| Prof. Dr. Arif Ateş Vuran | Auditor |

### Senior Management

| | |
|---|---|
| Mustafa Latif Topbaş | Chairman of the Executive Committee |
| Galip Aykaç | Member of the Executive Committee and COO |
| Haluk Dortluoğlu | Member of the Executive Committee and CFO |
| | |
| Muharrem Arslantürk | Member of the Operations Committee |
| Ürfet Naçar | Member of the Operations Committee |
| Bülent Pehlivan | Member of the Operations Committee |
| İlkay Zengin | Member of the Operations Committee |
| Ünsal Çetinkaya | Purchasing General Manager |

Other Company employees who may have access to insider information:

Arif Tuna
Betül Ölçücü
Dilek Kırılmaz
Ekrem Cezayirli
Elif Küçükdeveci
M. Volkan Menteş
Murat Şener
Özden Y. Karaoğlu
Özkan Ölmez
Semra Sadıkoğlu
Serkan Savaş
Sevim Üçüncüoğlu
Yakup Kocaman

### Independent Auditors

Metin Canoğulları
Betül Akova
Çağlar Targotay
İhsan Akar
Nihat Sönmez
Can Sözer

The CEO of the Company, Jos Simons, retired as of December 31, 2009. He will continue to serve as a Board member and has been appointed concurrently as a consultant to the Board.

At the meeting held of August 19, 2009, the Company's Board decided to form a three-person ExecutiveCommittee, chaired by Mustafa Latif Topbaş, Chairman of Board, effective as of January 1, 2010. The Committee took over the authorities, duties and responsibilities of the CEO. Haluk Dortluoğlu (CFO) and Galip Aykaç (COO) were appointed Executive Committee members. The Executive Committee came into office as of January 1, 2010.

## Part III-Stakeholders

### 13. Informing Stakeholders

Pursuant to applicable legislation, stakeholders are informed of Company matters, with the exception of trade secrets, by appropriate means of communication.

The Company's corporate website makes available the mail address and phone numbers of all stakeholders. Those stakeholders wishing to gather information or make inquiries using these communications tools are also able to contact the relevant unit managers. Incoming queries and information requests are responded to in a timely manner.

Investors or investors seeking to become Company shareholders are able to communicate directly with the Investor Relations Unit and receive prompt responses.

### 14. Stakeholders' Participation in Management

Meetings are held with employees and other stakeholders to improve efficiency on relevant issues and motions proposed therein are evaluated by senior management. Furthermore, employees are encouraged to freely communicate to the relevant unit manager their complaints, criticism and suggestions related to working procedures.

### 15. Human Resources Policy

As specified in the BİM Organization Objectives, the Company objectives can only be attained through the contributions of its employees. BİM Personnel Regulations provides guidelines for personnel rights and working terms and regulates the working arrangement in accordance with the said objectives. Employee relationships are managed by the Personnel and Administrative Affairs units in the headquarters and 27 regional warehouses.

The human resources policy of the Company gives priority to providing a pleasant and comfortable working environment which offers employees the opportunity to take initiatives and develop their skills accordingly. Employees are encouraged to communicate their complaints and suggestions for improvement to relevant units, which then make their best efforts to provide solutions promptly.

In 2009, the Company focused specifically on the training of the employees in line with the Company's goals. In this context, both internal and external resources were utilized for the training requirements of personnel.

### 16. Information on Customer and Supplier Relationships

The Company's business model is based on mutual trust, which therefore requires paying maximum attention to the relationships with both customers and suppliers. The Company grants its customers the right to return any product with no time limitations, on the basis of its no-questions-asked return policy. For years, BİM has been implementing its policy to return any savings gained from operational costs as discounts on the prices of the products. These policies and their effective implementation allow maximization of our customers' trust in the Company.

Every store has phones strategically placed so that customers can easily file complaints or requests. All customer complaints and requests are investigated and responded to in a timely manner.

As outlined by Company policy, suppliers are considered business partners and due care is taken to sustain strong, long-term relationships.

### 17. Social Responsibility

The Company is not involved in production activities. All nylon and cardboard waste is forwarded to licensed firms engaged in the recycling of packaging waste.

BİM works in coordination with the Kalite Sistem Laboratory, Observatory Laboratory, Eurolab and the TÜBİTAK Research Institute to inspect the quality of its product portfolio. TÜBİTAK conducts chemical and biological testing on products sold by BİM and subjects its production facilities to stringent quality control.

# Corporate Governance Principles Compliance Report

In addition, product quality control testing is conducted by the Istanbul Headquarters, as well as other regional organizations. Before the listing of new products, quality and taste tests are performed on the product, as well as equivalent and competitive products, to compare results.

The Company places great importance on food safety. BİM A.Ş. guarantees that all products, at a minimum, comply with all official standards and assumes full responsibility in this respect. By conducting ISO 22000 Food Safety Management System, BİM is establishing a well functioning supplier chain system from suppliers to customers.

Providing products that completely meet the requirements and needs of its customers in an affordable and timely manner and continuous improvement are the main policies of the Company.

## Part IV-Board of Directors

### 18. Structure and Composition of the Board of Directors and Independent Members

The Board of Directors is responsible for the management and representation of the Company. The Board consists of seven members elected during the General Meeting in accordance with the provisions of the Turkish Commercial Code. Two members are independent Board members, as defined by the Corporate Governance Guide of the Capital Markets Board of Turkey.

Following the retirement of the Company CEO on January 1, 2010, an Executive Committee was formed to take over the authorities and responsibilities of the CEO. The Company's Chairman of Board is also acting as Chairman of the Executive Committee.

Article 19 of the Company's Articles of Association restricts Board members from actions that may affect operations without the consent of the General Meeting, as stipulated in Articles 334 and 335 of Turkish Commercial Code.

Names of current Board members are listed under Article 12 of the Report.

### 19. Qualifications of the Board Members

The Board of Directors is made up of knowledgeable and experienced individuals who possess the qualifications mentioned in the CMB's Corporate Governance Principles. The Company's Articles of Association do not provide any further qualifications required for a membership appointment.

### 20. Mission, Vision and Strategic Objectives of the Company

The Company aims to maintain high-efficiency in profitable regions for the discount food retailing sector and to offer its services to more consumers by expanding into other regions of Turkey, as well as other countries where this concept can be implemented. Other targets of the Company include providing quality products at all times, increasing operational efficiency, discounting prices, involving more private-label products in its portfolio and reducing costs by increasing suppliers' efficiency.

The Board of Directors approve the yearly budget and analyze financial data monthly to ascertain the extent that the Company objectives are being met. In addition to yearly objectives, upon the request of the Board, the management prepares strategic plans for five years and submits it to the Board of Directors for review.

## 21. Risk Management and Internal Control Mechanisms

BİM A.Ş. has developed relevant policies and procedures in line with business processes, performed functional task distribution within the organization, established approval and authorization systems within processes and regulated procedures regarding the protection and reconcilement of physical assets of the Company in consideration of risk exposure and prevention methods within the scope of risk management and internal control mechanisms. In addition, efficient reporting and management-surveillance practices have also been established within the Company.

An Internal Auditing Unit appointed by the Company is responsible for risk management and independent evaluation of the internal control processes. All Company operations are included within the responsibilities of the Internal Audit Unit and audited pursuant to annual plans. The Internal Audit Unit is an independent unit and directly reports to the Audit Committee, whose members are selected from the Board of Directors.

The Internal Auditing Unit is responsible for analyzing the consolidated financial tables, which are prepared quarterly, for compliance with auditing principles, in accordance with Capital Market regulations and reporting to the Auditing Committee for their compliance status.

## 22. Duties and Responsibilities of the Members of the Board of Directors and Executives

The Board of Directors perform duties stipulated by law and by the Articles of Association. The Company is controlled and represented by the Board of Directors. The Board of Directors is entitled to carry out any transaction, legal, financial and technical work on behalf of the Company and to use the trade name of the Company.

In 2008, the Corporate Governance Principles specifying the duties and responsibilities of the Company's Board of Directors, Board members, senior management and Internal Audit Units was approved and placed into effect.

## 23. Operating Principles of the Board of Directors

The Board of Directors shall convene when deemed necessary for the business and operations of the Company, upon the call of the Chairman as provided in the Company's Articles of Association. It is mandated that the Board of Directors will convene once every three months. The Chairman will call the Board of Directors to the meeting upon the request of any Board member. If the Chairman does not convene the meeting within ten business days following the request, the Vice-Chairman is required to call the Board to meet. The invitation for a meeting and the meeting agenda shall be sent to each member by registered mail, hand-delivered or sent via fax or telex at least 15 days prior to the scheduled meeting date. The meeting may be held at the Company's registered office in Turkey, or any other location the Board unanimously decides upon. While the members of the Board are entitled to equal voting rights, they are not entitled to cast a negative vote. In case independent members express different justifications on issues, the justifications behind

# Corporate Governance Principles Compliance Report

negative votes are not announced publicly. The Board of Directors shall prepare the agenda based on emerging requirements and the Secretary of the Board of Directors shall inform and communicate with the Board of Directors.

During 2009, the Board of Directors physically convened 11 times and adopted 14 resolutions by obtaining the consent of its members without meeting, in accordance with Article 330/2 of the Turkish Commercial Code. None of the members voted against the decisions.

### 24. Prohibition on Engaging in Transactions and Competing with the Company

The members of the Board of Directors shall not engage in any of the activities listed in Articles 334 and 335 of the Turkish Commercial Code without the permission of the General Assembly.

### 25. Rules of Ethics

The Company's expectations of its employees, managers and suppliers are clearly specified in the organizational objectives document supplied to all employees; the expectations and rules therein are not disclosed to the public. The Company's code of conduct and related procedures are strictly applied and updated when deemed necessary.

### 26. Number, Structure and Independence of Committees Established by the Board of Directors

The Board of Directors established a Related Parties Committee and an Audit Committee. These committees are appointed to ensure that the Board of Directors fulfills its duties and responsibilities duly and precisely in line with the requirements and conditions of the Company and that these committees submit reports prepared on a quarterly basis to the Board of Directors.

Both members of Audit Committee and one of three members of the Related Parties Committee are independent board members. One of the independent board members acts in both committees. The head of the Related Parties Committee is not an independent member and holds an executive position in the Company. The two members of the Audit and Compensation Committee do not hold executive positions in the Company. The Board of Directors has not yet established a Corporate Governance Committee.

### 27. Financial Benefits to the Board of Directors

The Board of Directors is paid an honorarium as provided by the resolutions from the General Meeting. The Company does not provide benefits to Board members or the management by extending loans or credit. Board members are not granted performance-based remuneration.

(Convenience Translation of a Report and
Financial Statements Originally Issued in Turkish)

# BİM BİRLEŞİK MAĞAZALAR ANONİM ŞİRKETİ

## CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2009 TOGETHER WITH INDEPENDENT AUDITORS' REPORT

ERNST & YOUNG

■ Güney Bağımsız Denetim
ve Serbest Muhasebeci
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www.ey.com

**(Convenience Translation of a Report and Financial Statements Originally Issued in Turkish)**

**Independent auditors' report on the consolidated financial statements for the year ended December 31, 2009**

**To the Shareholders of
BİM Birleşik Mağazalar Anonim Şirketi**

**Introduction**

We have audited the accompanying consolidated balance sheet of BİM Birleşik Mağazalar Anonim Şirketi (the Company) and its Subsidiary as of December 31, 2009 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and explanatory notes.

**Management's responsibility for the financial statements**

The Company's management is responsible for the preparation and fair presentation of financial statements in accordance with financial reporting standards published by the Capital Market Board in Turkey (the CMB). This responsibility includes; designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error and/or fraud; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**Independent auditors' responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. Our audit was conducted in accordance with standards on auditing issued by the CMB. Those standards require that ethical requirements are complied and independent audit is planned and performed to obtain reasonable assurance whether the financial statements are free from material misstatement.

An independent audit involves performing independent audit procedures to obtain independent audit evidence about the amounts and disclosures in the financial statements. The independent audit procedures selected depend on our professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error and/or fraud. In making those risk assessments, the Company's internal control system is considered. Our purpose, however, is not to express an opinion on the effectiveness of internal control system, but to design independent audit procedures that are appropriate for the circumstances in order to identify the relation between the financial statements prepared by the Company and its internal control system. Our independent audit includes also evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Company's management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained during our independent audit is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the accompanying financial statements present fairly the financial position of BİM Birleşik Mağazalar Anonim Şirketi and Its Subsidiary as at December 31, 2009 and their financial performance and cash flows for the year then ended in accordance with financial reporting standards published by the Capital Market Board in Turkey.

**Additional paragraph for convenience translation to English:**

As at 31 December 2009, the accounting principles described in Note 2 (defined as CMB Financial Reporting Standards) to the accompanying financial statements differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board with respect to the application of inflation accounting and also for certain disclosures requirement of the CMB. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited

Metin Canoğulları, SMMM
Partner

March 16, 2010
Istanbul, Turkey

(CONVENIENCE TRANSLATION OF A REPORT AND FINANCIAL STATEMENTS ORIGINALLY ISSUED İN TURKISH)

# BİM BİRLEŞİK MAĞAZALAR ANONİM ŞİRKETI AND ITS SUBSIDIARY

## CONSOLIDATED BALANCE SHEET
## AS AT DECEMBER 31, 2009

(Currency-Thousands of Turkish Lira)

| | | Current period | Prior period |
|---|---|---|---|
| | | December 31, 2009 | December 31, 2008 |
| **Assets** | **Notes** | **Audited** | Audited |
| **Current assets** | | **612,110** | 423,062 |
| | | | |
| Cash and cash equivalents | 6 | 166,542 | 56,447 |
| Trade receivables | 10 | 161,357 | 114,310 |
| Inventories | 13 | 257,851 | 230,858 |
| Other current assets | 26 | 26,360 | 21,447 |
| | | | |
| **Non-current assets** | | **487,551** | 415,888 |
| | | | |
| Property and equipment | 18 | 479,093 | 404,212 |
| Intangible assets | 19 | 3,532 | 2,788 |
| Other non-current assets | 26 | 4,926 | 8,888 |
| | | | |
| **Total assets** | | **1,099,661** | 838,950 |

The accompanying policies and explanatory notes on pages 55 through 87 form an integral part of the financial statements.

(CONVENIENCE TRANSLATION OF A REPORT AND FINANCIAL STATEMENTS ORIGINALLY ISSUED İN TURKISH)

# BİM BİRLEŞİK MAĞAZALAR ANONİM ŞİRKETI AND ITS SUBSIDIARY

## CONSOLIDATED BALANCE SHEET
## AS AT DECEMBER 31, 2009

(Currency-Thousands of Turkish Lira)

### Liabilites and equity

| | Notes | Current period December 31, 2009 Audited | Prior period December 31, 2008 Audited |
|---|---|---|---|
| **Current liabilities** | | **693,078** | 556,085 |
| Financial liabilities | 8 | - | 21,778 |
| Trade payables | | | |
| -Due to related parties | 37 | 104,826 | 78,841 |
| -Other trade payables | 10 | 548,619 | 430,604 |
| Other current liabilities | 26 | 20,726 | 16,421 |
| Income tax payable | 35 | 11,634 | 3,256 |
| Accrued liabilities | 22 | 7,273 | 5,185 |
| | | | |
| **Non-current liabilities** | | **18,528** | 16,762 |
| | | | |
| Reserve for employee termination benefits | 24 | 7,567 | 6,349 |
| Deferred tax liability | 35 | 10,961 | 10,207 |
| Other non-current liabilities | 26 | - | 206 |
| | | | |
| **Equity** | | **388,055** | 266,103 |
| | | | |
| **Equity attributable to parent** | | **388,055** | 266,103 |
| | | | |
| Paid-in share capital | 27 | 75,900 | 75,900 |
| Inflation adjustment on paid-in share capital | 27 | 6,956 | 6,956 |
| Revaluation surplus | 18, 27 | 15,704 | 12,874 |
| Currency translation difference | | 1,056 | - |
| Restricted reserves allocated from profits | 27 | 34,072 | 19,469 |
| Prior year profits | 27 | 41,425 | 36,724 |
| Net income for the period | | 212,942 | 114,180 |
| | | | |
| **Total liabilities and equity** | | **1,099,661** | 838,950 |

The accompanying policies and explanatory notes on pages 55 through 87 form an integral part of the financial statements.

(CONVENIENCE TRANSLATION OF A REPORT AND FINANCIAL STATEMENTS ORIGINALLY ISSUED İN TURKISH)

# BİM BİRLEŞİK MAĞAZALAR ANONİM ŞİRKETI AND ITS SUBSIDIARY

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
## FOR THE YEAR ENDED DECEMBER 31, 2009

(Currency-Thousands of Turkish Lira)

| | Notes | Current period January 1, 2009- December 31, 2009 Audited | Prior period January 1, 2008- December 31, 2008 Audited |
|---|---|---|---|
| **Continuing operations** | | | |
| Net sales | 28 | 5,323,390 | 4,242,412 |
| Cost of sales (-) | 28 | (4,378,501) | (3,545,782) |
| **Gross profit** | | 944,889 | 696,630 |
| Selling, marketing and distribution expenses (-) | 29 | (593,992) | (475,760) |
| General and administrative expenses (-) | 29 | (92,188) | (74,938) |
| Other operating income | 31 | 10,129 | 8,367 |
| Other operating expenses (-) | 31 | (6,463) | (4,335) |
| **Operating profit** | | 262,375 | 149,964 |
| Financial income | 32 | 7,908 | 2,374 |
| Financial expense (-) | 33 | (1,712) | (8,928) |
| **Net income before taxes from continuing operations** | | 268,571 | 143,410 |
| **Tax expense for continuing operations** | | | |
| -Current tax expense for the period | 35 | (54,777) | (27,589) |
| -Deferred tax expense | 35 | (852) | (1,641) |
| **Net income** | | 212,942 | 114,180 |
| **Other comprehensive income** | | | |
| Change in revaluation fund | | 2,732 | - |
| Change in currency translation difference | | 1,056 | - |
| Tax income of other comprehensive income | | 98 | - |
| **Other comprehensive income (after tax)** | | 3,886 | - |
| **Total comprehensive income** | | 216,828 | 114,180 |
| **Profit for the period attributable to** | | | |
| Share of the parent | | 212,942 | 114,180 |
| Minority interest | | - | - |
| **Total comprehensive income attributable to** | | | |
| Share of the parent | | 216,828 | 114,180 |
| Minority interest | | - | - |
| Earnings per share attributable to equity holders of the parent (full TL) | 36 | 2,806 | 1,504 |

The accompanying policies and explanatory notes on pages 55 through 87 form an integral part of the financial statements.

(CONVENIENCE TRANSLATION OF A REPORT AND FINANCIAL STATEMENTS ORIGINALLY ISSUED İN TURKISH)

# BİM BİRLEŞİK MAĞAZALAR ANONİM ŞİRKETI AND ITS SUBSIDIARY

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
## FOR THE YEAR ENDED DECEMBER 31, 2009

(Currency-Thousands of Turkish Lira)

| | Paid-in share capital | Inflation adjustment on paid-in share capital | Revaluation surplus | Currency translation difference | Restricted reserves allocated from profits | Prior year profits | Net income for the period | Total equity |
|---|---|---|---|---|---|---|---|---|
| January 1, 2008 | 25,300 | 6,956 | 12,874 | - | 14,788 | 31,603 | 108,472 | 199,993 |
| Transfer to prior year profits | - | - | - | - | - | 60,402 | (60,402) | - |
| Transfer to restricted reserves allocated from profits | - | - | - | - | 4,681 | (4,681) | - | - |
| Transfer to share capital from prior year profits | 50,600 | - | - | - | - | (50,600) | - | - |
| Dividends paid | - | - | - | - | - | - | (48,070) | (48,070) |
| Net income for the period | - | - | - | - | | - | 114,180 | 114,180 |
| Other comprehensive income | - | - | - | - | - | - | - | - |
| | | | | | | | | |
| Total comprehensive income | - | - | - | - | - | - | 114,180 | 114,180 |
| | | | | | | | | |
| December 31, 2008 | 75,900 | 6,956 | 12,874 | - | 19,469 | 36,724 | 114,180 | 266,103 |
| | | | | | | | | |
| **January 1, 2009** | **75,900** | **6,956** | **12,874** | **-** | **19,469** | **36,724** | **114,180** | **266,103** |
| **Transfer to prior year profits** | **-** | **-** | **-** | **-** | **-** | **53,460** | **(53,460)** | **-** |
| **Transfer to restricted reserves allocated from profits** | **-** | **-** | **-** | **-** | **14,603** | **(14,603)** | **-** | **-** |
| **Dividends paid** | **-** | **-** | **-** | **-** | **-** | **(34,156)** | **(60,720)** | **(94,876)** |
| **Net income for the period** | **-** | **-** | **-** | **-** | **-** | **-** | **212,942** | **212,942** |
| **Other comprehensive income** | **-** | **-** | **2,830** | **1,056** | **-** | **-** | **-** | **3,886** |
| | | | | | | | | |
| **Total comprehensive income** | **-** | **-** | **2,830** | **1,056** | **-** | **-** | **212,942** | **216,828** |
| | | | | | | | | |
| **December 31, 2009** | **75,900** | **6,956** | **15,704** | **1,056** | **34,072** | **41,425** | **212,942** | **388,055** |

The accompanying policies and explanatory notes on pages 55 through 87 form an integral part of the financial statements.

(CONVENIENCE TRANSLATION OF A REPORT AND FINANCIAL STATEMENTS ORIGINALLY ISSUED İN TURKISH)

# BİM BİRLEŞİK MAĞAZALAR ANONİM ŞİRKETI AND ITS SUBSIDIARY

## STATEMENT OF CONSOLIDATED CASH FLOWS
## FOR THE YEAR ENDED DECEMBER 31, 2009

(Currency-Thousands of Turkish Lira)

| | Notes | Current period January 1, 2009- December 31, 2009 Audited | Prior period January 1, 2008- December 31, 2008 Audited |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit before tax | | 268,571 | 143,410 |
| **Adjustments to reconcile profit before tax to net cash provided by operating activities:** | 18, 19 | 55,475 | 43,313 |
| Depreciation and amortisation | 32 | (7,346) | (1,933) |
| Profit share income from deposit accounts | 24 | 777 | 504 |
| Financial expense of employee termination benefit | 24 | 1,778 | 1,236 |
| Provision for employee termination benefit | 31 | 2,145 | 1,798 |
| Loss on sale of property and equipment and intangibles | 18, 31 | 802 | - |
| Provision for impairment of property and equipment | 13 | (381) | 718 |
| Provision/(reversal) for impairment of inventories | | | |
| **Operating income before working capital changes** | | 321,821 | 189,046 |
| | | | |
| **Net working capital changes in:** | | | |
| Trade receivables | | (47,047) | (16,648) |
| Inventories | | (26,612) | (64,223) |
| Other current assets | | (4,913) | 586 |
| Other non-current assets | 26 | 3,216 | (4,747) |
| Other trade payables | | 118,015 | 114,018 |
| Due to related parties | | 25,985 | 6,507 |
| Accrued liabilities | | 2,088 | 2,714 |
| Other current liabilities | | 4,305 | (7,295) |
| Other non-current liabilities | | (206) | 22 |
| Income taxes paid | | (46,399) | (31,209) |
| Employee termination benefit paid | 24 | (1,337) | (1,106) |
| | | | |
| **Net cash generated by operating activities** | | 348,916 | 187,665 |
| | | | |
| **Cash flows from investing activities:** | | | |
| Purchase of property and equipment | 18 | (130,951) | (189,722) |
| Purchase of intangibles | 19 | (1,875) | (1,469) |
| Proceeds from sale of property and equipment and intangibles | | 2,257 | 1,293 |
| Profit share received from deposit accounts | 32 | 7,346 | 1,933 |
| | | | |
| **Net cash used in investing activities** | | (123,223) | (187,965) |
| | | | |
| **Cash flows from financing activities:** | | | |
| Dividends paid | | (94,876) | (48,070) |
| Proceeds from bank borrowings | 8 | - | 21,778 |
| Repayment of bank borrowings | 8 | (21,778) | - |
| | | | |
| **Net cash used in financing activities** | | (116,654) | (26,292) |
| | | | |
| **Currency translation differences** | | 1,056 | - |
| | | | |
| **Increase/(decrease) in cash and cash equivalents** | | 110,095 | (26,592) |
| | | | |
| **Cash and cash equivalents at the beginning of the period** | | 56,447 | 83,039 |
| | | | |
| **Cash and cash equivalents at the end of the period** | | 166,542 | 56,447 |

The accompanying policies and explanatory notes on pages 55 through 87 form an integral part of the financial statements.

(Currency-Thousands of Turkish Lira (TL) unless otherwise indicated. All other currencies are expressed in full amounts unless otherwise indicated)

## 1. Organization and nature of operations of the Company

BİM Birleşik Mağazalar Anonim Şirketi (BİM-the Company) was established on May 31, 1995 and commenced its operations in September 1995. The registered address of the Company is Ebubekir Cad. No: 289 Sancaktepe, İstanbul.

The Company is engaged in operating retail stores through its retail shops throughout Turkey, which sell an assortment of approximately 600 items, including a number of private labels. The Company is publicly traded in Istanbul Stock Exchange (ISE) since July 2005.

The Company established a new company named Bim Stores SARL on May 19, 2008 with 100% ownership in Morocco which is engaged in hard discount retail sector and started to operate on April 11, 2009. BIM Stores SARL financial statements are consolidated by using the full consolidation method as of December 31, 2009.

Hereinafter, the Company and its consolidated subsidiary together will be referred to as "the Group".

The main and ultimate controlling party of the Group is Mustafa Latif Topbaş. The consolidated financial statements were authorized for issue on March 16, 2010 by the Board of Directors of the Company. Although there is no such intention, the General Assembly and certain regulatory bodies have the power to amend the financial statements after issue.

For the years ended December 31, 2009 and 2008, the average number of workers in accordance with their categories is shown below:

| | January 1-December 31, 2009 | January 1-December 31, 2008 |
|---|---|---|
| Office personnel | 1,070 | 793 |
| Warehouse personnel | 1,802 | 1,878 |
| Store personnel | 11,669 | 10,098 |
| | | |
| Total | 14,541 | 12,769 |

## 2. Basis of preparation of financial statements

### Basis of preparation

The Company maintains its books of account and prepares its statutory financial statements in Turkish Lira (TL) in accordance with regulations on accounting and reporting framework and the Uniform Chart of Accounts issued by the Ministry of Finance. The legal statutory financial statements of the subsidiary established outside of Turkey are prepared in accordance with law and tax legislation in the country it is domiciled.

The financial statements of the Company have been prepared in accordance with accounting and reporting standards (the CMB Accounting Standards) as prescribed by the Turkish Capital Market Board (the CMB) until December 31, 2007. The CMB has issued communiqué no. XI-25 "Communiqué on Accounting Standards in Capital Markets" which sets out a comprehensive set of accounting principles. In this Communiqué, the CMB stated that alternatively application of accounting standards prescribed by the International Accounting Standards Board (IASB) and International Accounting Standards Committee (IASC) will also be considered to be compliant with the CMB Accounting Standards. Beginning from January 1, 2008, the financial statements are prepared in accordance with International Accounting/Financial Reporting Standards (IAS/IFRS) as prescribed in the CMB communiqué published in the official gazette dated April 9, 2008 and after became effective No:XI-29 "Communiqué on Financial Reporting Standards in Capital Markets" (Communiqué) and from the statutory financial statements with adjustments and reclassifications for the purpose of fair presentation. Such adjustments mainly comprise accounting for subsidiary on a consolidation basis, provision for impairment of stock, deferred taxation, employee termination benefits, fair value accounting of land and buildings and rediscount of trade receivables and payables.

The consolidated financial statements have been prepared under the historical cost convention, except for land and building which are carried at fair value.

### Changes in accounting policies

### Adoption of revised and new standards

The new standards, changes and interpretations of current standards which are effective as of December 31, 2009 are as follows:

#### IFRS 1 "First-time Adoption of International Financial Reporting Standards" and IAS 27 "Consolidated and Separate Financial Statements" — Cost of an investment in a Subsidiary, Jointly Controlled Entity or Associate (Amendments)

The amendments to IFRS 1 allows an entity to determine the cost of investments in subsidiaries, jointly controlled entities or associates in its opening IFRS financial statements in accordance with IAS 27 or at the fair value of the investment at the date of transition to IFRS, determined in accordance with IAS 39 or at the previous GAAP carrying amount of the investment at the date of transition to IFRS. The amendment does not have any effect on Group's financial performance.

#### IFRS 2 Share-based Payment — Vesting Conditions and Cancellations (Amendment)

The purpose of this amendment is to give greater clarity in respect of vesting conditions and cancellations. The standard defines two subjects: a 'vesting condition' and a 'non-vesting condition'. The amendment does not have any effect on Group's financial performance.

#### IFRS 7 Financial Instruments: Disclosures (Amendment)

IFRS 7 has been amended to enhance disclosures about fair value measurement and liquidity risk. IFRS 7 now requires instruments measured at fair value to be disclosed by the source of the inputs in determining fair value, using three level hierarchy. Disclosures also require a full reconciliation of Level 3 instruments and transfers between Level 1 and Level 2. The minimum liquidity risk disclosures of IFRS 7 have also been amended. Since the Group does not have any financial asset and liability carried at fair value, the amendment does not have any effect on Group's financial statements.

#### IFRS 8 "Operating Segments"

IFRS 8 replaces IAS 14 Segment Reporting and adopts a full management approach to identifying, measuring and disclosing the results of its operating segments. The information reported is that the management uses internally for evaluating the performance of operating segments and allocating resources to those segments. When the information provided to management is recognised or measured on a different basis to IFRS information presented in the primary financial statements, entities need to provide explanations and reconciliations of the differences. Although the subsidiary operates in Morocco, the sales revenue portion of the subsidiary in the consolidated operations is 0.18% which is less than 10%, therefore the amendment does not have any effect on Group's financial statements.

### IAS 1 "Presentation of Financial Statements" (Revised)

IAS 1 has been revised to enhance the usefulness of information presented in the financial statements.

According to the revized IAS 1: the statement of changes in equity includes only transactions with owners, defined as 'holders of instruments classified equity'. All non-owner changes are presented in equity as a single line, with details included in a separate statement. A new statement of comprehensive income that combines all items of income and expense recognised in profit or loss together with 'other comprehensive income' is introduced. Entities may choose to present all items in one statement, or to present two linked statements, a separate income statement and a statement of comprehensive income. The Group presented consolidated income statement and consolidated statement of comprehensive income together in one statement.

### IAS 23 Borrowing Costs (Revised)

The revised standard eliminates the option of expensing all borrowing costs and requires borrowing costs to be capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. The Group does not have any borrowing costs that should be capitalized as of December 31, 2009.

### IAS 32 Financial Instruments: Presentation and IAS 1 — Puttable Financial Instruments and Obligations Arising on Liquidation (Amendments)

This amendment will permit a range of entities to recognise their capital as equity rather than as financial liabilities, as currently required by IAS 32. IAS 1 has been amended to require the additional disclosures if an entity has a puttable instrument that is presented as equity. The amendment does not have any effect on Group's financial statements.

### IFRIC 9 Reassessment of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement-Embedded Derivatives (Amendments)

According to amendments in IFRIC 9, an entity must assess whether an embedded derivative must be separated from a host contract when the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category. The assessment must be made on the basis of the circumstances that existed on the later of:

(a) The date when the entity first became a party to the contract, and
(b) The date of a change in the terms of the contract that significantly modifies the cash flows that otherwise would have been required under the contract.

The amendment does not have any effect on Group's financial statements.

### IFRIC 13 Customer Loyalty Programmes

The interpretation requires loyalty award credits granted to customers in connection with a sales transaction to be accounted for as a separate component of the sales transaction. The amount allocated to the loyalty award credits is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished. The amendment does not have any effect on Group's financial statements.

### IFRIC 15 Agreements for the Construction of Real Estate

IFRIC 15 provides guidance on how to determine whether an agreement for the construction of real estate is within the scope of IAS 11 "Construction Contracts" or IAS 18 "Revenue" and, accordingly, when revenue from the construction should be recognised. The interpretation does not have any effect on Group's financial performance.

### IFRIC 16 Hedges of a Net Investment in a Foreign Operation

IFRIC 16 concludes that the presentation currency does not create an exposure to which an entity may apply hedge accounting. Consequently, a parent entity may designate as a hedged risk only the foreign exchange differences arising from a difference between its own functional currency and that of its foreign operation. The hedging instruments may be held by any entity or entities within the group. The interpretation does not have any effect on Group's financial performance.

### IFRIC 18 'Transfer of Assets from Customers'

The Interpretation specifies how the assets such as property, plant and equipment or cash for the construction or acquisition of such items received from the customers should be accounted for. The interpretation does not have any effect on Group's financial performance.

### Improvements to IFRSs (issued in 2008)

In May 2008, International Accounting Standards Board (IASB) has issued amendments in order to eliminate the inconsistencies and clarify the explanations related to standards. Transitional provisions and application periods vary for each amendment which is January 1, 2009 for the earliest.

## New and amended standards and interpretations issued that are applicable to December 31, 2010 year-ends:

### Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards- Additional Exemptions for First-Time Adopters'

The amendments will provide relief to entities that are first-time adopters with oil and gas assets or leases by reducing the cost of transition to IFRS. The amendments may be applied earlier than the effective date and this fact must be disclosed. The amendment does not have any effect on Group's financial statements.

### Amendments to IFRS 2 'Group Cash Settled Share Based Payment Transactions'

For group reporting and consolidated financial statements, the amendment clarifies that if an entity receives goods or services that are cash settled by shareholders not within the group, they are outside the scope of IFRS 2. Management will need to consider any such past transactions. The amendment may have a significant effect on the cost recognized in separate financial statements of an entity that has material share-based payment awards that have not previously been accounted for in accordance with IFRS 2. This may have a potential tax accounting impact on all parties involved. This amendment is applied retrospectively, in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors in respect of changes in accounting policy. Earlier application is permitted and must be disclosed. The amendment does not have any effect on Group's financial statements.

### IFRS 3,'Business Combinations' (Revised) and IAS 27,' Consolidated and Separate Financial Statements' (Amended)

The revised IFRS 3 introduces a number of changes in the accounting for business combinations which will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs, and future reported results. Such changes include the expensing of acquisition related costs and recognizing subsequent changes in fair value of contingent consideration in the profit or loss (rather than by adjusting goodwill). The amended IAS 27 requires that a change in ownership interest of a subsidiary is accounted for as an equity transaction. Therefore such a change will have no impact on goodwill, nor will it give raise to a gain or loss. Furthermore the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The Group anticipates that the change will have no impact on its financial statements.

### IAS 39 Financial Instruments: Recognition and Measurement - 'Eligible Hedged Items'

The amendment addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. The amendment does not have any effect on Group's financial statements.

### IFRIC 17 'Distributions of Non-cash Assets to Owners'

The Interpretation applies to all non-reciprocal distributions of non-cash assets, including those giving the shareholders a choice of receiving non-cash assets or cash. This interpretation is to be applied prospectively. The interpretation does not have any effect on Company's financial performance.

### Improvements to IFRSs (issued in 2009)

In April 2009, International Accounting Standards Board (IASB) has issued amendments in order to eliminate the inconsistencies and clarify the explanations related to standards. Transitional provisions and application periods vary for each amendment which is July 1, 2009 for the earliest.

- IFRS 2: Scope of IFRS 2 and IFRS 3
- IFRS 5: Disclosure of assets held for sale and discontinued operations
- IFRS 8: Disclosure of segmental assets
- IAS 1: Classification of convertible instruments as current or non current
- IAS 7: Classification of expenses related to non accounted assets
- IAS 17: Classification of rentals of lands and buildings
- IAS 18: Determination of the treatment of the Company Principal or Agent (Applicable to December 31, 2009 year end)
- IAS 36: Accounting unit in testing impairment of goodwill
- IAS 38: Additional changes in revised IFRS 3
- IAS 38: Fair value determination of intangible assets acquired business combinations
- IAS 39: Assumption of prepaid penalties related to bank loans as embedded derivative instruments
- IAS 39: Exception in scope of business combination agreements
- IAS 39: Cash flow hedge accounting
- IFRIC 9: Scope of IFRIC 9 and IFRS 3
- IFRIC 16: Revision related restrictions to company with hedge accounting instrument

**New and amended standards and interpretations issued that are effective subsequent to December 31, 2010 (these changes have not been endorsed by European Union)**

IFRIC 9 ''Reassessment of embedded derivatives'' (Effective for periods beginning on or after January 1, 2013)

IFRS 9 introduces new requirements for classifying and measuring financial assets.

IAS 24 Related Party Disclosures (Revised) (Effective for periods beginning on or after January 1, 2011)

The main changes to IAS 24 are a partial exemption from the disclosure requirements for transactions between a government-controlled reporting entity and that government or other entities controlled by that government and amendments to the definition of a related party.

IFRIC 14 Prepayments of a Minimum Funding Requirement (Amendment) (Effective for periods beginning on or after January 1, 2011, with earlier application permitted)

Without the amendments, in some circumstances entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct the problem.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (Effective for periods beginning on or after July 1, 2010, with earlier application permitted)

IFRIC 19 addresses only the accounting by the entity that issues equity instruments in order to settle, in full or in part, a financial liability.

**New and amended standards and interpretations issued that are effective subsequent to December 31, 2010 year-ends (these changes have been endorsed by European Union)**

IAS 32 Classification of Rights Issues (Amendment) (Effective for periods beginning on or after February 1, 2010)

The amendment to IAS 32 addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer.

**Functional and presentation currency**

The functional and presentation currency of the Company is Turkish Lira (TL).

The functional currency of the Company's subsidiary, BIM Stores SARL, is Maroc Dirham (MAD). In the consolidated financial statements, MAD amounts presented in the balance sheet are translated into Turkish Lira at the official TL exchange rate for purchases of MAD announced by the Central Bank of the Republic of Turkey at the balance sheet date, MAD 1.00 (full) = TL 5,254, MAD amounts in the statement of comprehensive income have been translated into TL, at the average TL exchange rate for purchases of MAD, is MAD 1.00 (full) = TL 5,237. Differences that occur by the usage of closing and average exchange rates are followed under currency translation differences classified under equity.

**Basis of consolidation**

The consolidated financial statements comprise the financial statements of the parent company and its subsidiary prepared for the year ended December 31, 2009. Subsidiary is consolidated from the date on which control is transferred to the Group. The consolidated financial statements cover BİM and the subsidiary with 100% control.

Subsidiary is consolidated by using the full consolidation method; therefore, the carrying value of subsidiary is eliminated against the related shareholders' equity.

Intercompany balances and transactions between BİM and its subsidiary, including intercompany unrealized profits and losses are eliminated. Consolidated financial statements are prepared using uniform accounting policies for similar transactions and other events in similar circumstances.

### Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liabilities simultaneously.

### Accounting estimates

The preparation of financial statements in accordance with the CMB Accounting Standards require the Group management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates. Those estimates are reviewed periodically, and as adjustments become necessary, they are reported in earnings in the periods in which they become known.

Significant estimates used in the preparation of these financial statements and the significant judgments with the most significant effect on amounts recognized in the financial statements are mainly related with the application of IAS 29, accounting of employee termination benefits, provision for inventories, revaluation of land and buildings, assessment of economic useful lives of property, plant and equipment and intangibles and provision for income taxes.

### Summary of significant accounting policies

#### Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be reliably measured. Revenue is recognised net of discounts and Value Added Tax (VAT) when delivery has taken place and transfer of risks and rewards has been completed.

Profit shares income from participations banks are recognized according to the accrual basis.

#### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash at banks, cash in transit and time deposits generally having original maturities of three months or less.

#### Trade receivables

Trade receivables, which generally have an average of 10 day term (December 31, 2008 - 9 days) as of balance sheet date, are carried at amortized cost less an allowance for any uncollectible amounts. Estimate is made for the doubtful provision when the collection of the trace receivable is not probable.

#### Inventories

Inventories are valued at the lower of cost and net realizable value. Costs comprise purchase cost and, where applicable and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is determined by the first in first out method.

Net realizable value is the estimated selling price less estimated costs necessary to realize sale.

## Property and equipment

All property and equipment is initially recorded at cost. Land and building are subsequently measured at revalued amounts which are the fair value at the date of the revaluation, based on valuations by external independent valuers, less subsequent depreciation for building. All other property and equipment is stated at cost less accumulated depreciation and accumulated impairment loss. When assets are sold or retired, their cost and accumulated depreciation are eliminated from the related accounts and any gain or loss resulting from their disposal is included in the statement of income. On disposal of revalued assets, amounts in revaluation reserves relating to that asset are transferred to retained earnings.

The initial cost of property and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset ready for use. Expenditures incurred after the fixed assets have been put into operation, such as repairs and maintenance, are normally charged to income in the year the costs are incurred. If the asset recognition criteria are met, the expenditures are capitalized as an additional cost of property and equipment.

Increases in the carrying amount arising on revaluation of property are initially credited to revaluation reserve in shareholders' equity net of the related deferred tax.

Depreciation is provided on cost or revalued amount of property and equipment on a straight-line basis. The depreciation periods for property and equipment, which approximate the estimated economic useful lives of such assets, are as follows:

| | Year |
|---|---|
| Land improvements | 5 |
| Building | 25 |
| Machinery and equipment | 4, 5, 6, 7, 10 |
| Furniture and fixtures | 5, 10 |
| Vehicles | 5, 10 |
| Leasehold improvements | 5, 10 |

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

## Intangible assets

Intangible assets which mainly comprise software rights are measured initially at cost. Intangible assets are recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise; and the cost of the asset can be measured reliably. After initial recognition, intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses. Intangible assets excluding development costs, created within the business are not capitalized and expenditure is charged against profits in the year in which it is incurred. The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortized on a straight line basis over the best estimate of their useful lives. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognised in the statement of income in the expense category consistent with the function of the intangible asset.

The Group does not have any intangible assets with indefinite useful lives.
The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

### Impairment of non-financial assets

The carrying values of assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in the statement of income. The recoverable amount of property and equipment is the greater of net selling price and value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life while the net selling price is the amount obtainable from the sale of an asset after cost of sales deducted.

### Trade payables

Trade payables which generally have an average of 49 day term (December 31, 2008-52 day) are initially recorded at original invoice amount and carried at amortized cost. This amount is the fair value of consideration to be paid in the future for goods and services received, whether or not billed.

### Bank borrowings

All loans and borrowings are initially recognized at cost.

After initial recognition, loans and borrowings are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the amortization process.

### Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset shall be capitalized as part of the cost of that asset. Such borrowing costs are capitalized as part of the cost of the asset when it is probable that they will result in future economic benefits to the entity and the costs can be measured reliably. Other borrowing costs are recognized as an expense in the period in which they are incurred.

### Financial instruments

Financial asset and financial liabilities are recognized on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

When a financial instrument gives rise to a contractual obligation on the part of the Group to deliver cash or another financial asset or to exchange another financial instrument under conditions that are potentially unfavorable, it is classified as a financial liability. The instrument is an equity instrument if, and only if, both conditions (a) and (b) below are met:

(a) The instrument includes no contractual obligation to deliver cash or another financial asset to another entity; or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the issuer,

(b) If the instrument will or may be settled in the Group's own equity instruments, it is a non-derivative that includes no contractual obligation for the Group to deliver a variable number of its own equity instruments; or a derivative that will be settled only by the Group exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

Financial assets are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or available-for-sale financial assets. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate re-evaluates this designation at each financial year/period-end.

All regular way purchases and sales of financial assets are recognized on the trade date, which is the date that the Group commits to purchase/sell the asset. Regular way purchases or sales are purchases or sale of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

### Recognition and derecognition of financial assets and liabilities

The Group recognizes a financial asset or financial liability in its balance sheet when only when it becomes a party to the contractual provisions of the instrument. The Group derecognizes a financial asset or a portion of it only when the control on rights under the contract is discharged. The Group derecognizes a financial liability when the obligation under the liability is discharged or cancelled or expires.

All regular way financial asset purchase and sales are recognized at the date of the transaction, the date the Group committed to purchase or sell.

### Impairment of financial assets

The Group assesses at each balance sheet date whether a financial asset is impaired.

### Assets carried at amortised cost

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognized in the consolidated statement of income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Provision for impairment is provided when there is an objective evidence of uncollectibility of trade receivables. Reserve is provided for the overdue uncollectible receivables. Also portfolio reserve is provided for the not due receivables based on certain criteria. The carrying amount of the receivable is reduced through use of an allowance account.

## Foreign currency transactions

Transactions in foreign currencies during the period have been translated at the exchange rates prevailing at the dates of such transactions. Exchange rate differences arising on reporting monetary items at rates different from those at which they were initially recorded or on the settlement of monetary items or are recognized in the comprehensive income statement in the period in which they arise.

Foreign currency conversion rates used by the Group for the related period ended are as follows:

| Dates | USD/TL (full) | EUR/TL (full) |
|---|---|---|
| **December 31, 2009** | **1.5057** | **2.1603** |
| December 31, 2008 | 1.5123 | 2.1408 |

## Earnings per share

Earnings per share (EPS) are determined by dividing net income by the weighted average number of shares that have been outstanding during the period concerned. The weighted average number of shares outstanding during the year has been adjusted in respect of free shares issued without corresponding increase in resources.

## Subsequent events

Post year/period-end events that provide additional information about the Group's position at the balance sheet date (adjusting events), are reflected in the financial statements. Post year/period-end events that are not adjusting events are disclosed in the notes when material.

## Provisions, contingent assets and contingent liabilities

### i) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

### ii) Contingent assets and liabilities

Contingent liabilities are not recognised in the financial statements but they are disclosed only, unless the possibility of an outflow of resources embodying economic benefits is probable. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

## Leases

### Operating leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the statement of income on a straight-line basis over the lease term.

## Related parties

Parties are considered related to the Group if;

(a) directly, or indirectly through one or more intermediaries, the party:

- (i) controls, is controlled by, or is under common control with, the Group (this includes parents, subsidiaries and fellow subsidiaries);
- (ii) has an interest in the Group that gives it significant influence over the Group; or
- (iii) has joint control over the Group;

(b) the party is an associate of the Group;

(c) the party is a joint venture in which the Group is a venturer;

(d) the party is member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e);

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

## Income taxes

Tax expense or income is the aggregate amount included in the determination of net profit or loss for the period in respect of current and deferred taxes.

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognized for all taxable temporary differences.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry-forward of unused tax assets and unused tax losses can be utilized. The carrying amount of deferred income tax assets is reviewed at each balance sheet date and recorded to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

### Reserve for employee benefits

a) Defined benefit plans:

In accordance with existing social legislation in Turkey, the Company is required to make lump-sum termination indemnity payments to each employee who has completed over one year of service with the Company and whose employment is terminated due to retirement or for reasons other than resignation or misconduct.

As detailed in Note 24, the employee benefit liability is provided for in accordance with IAS 19 "Employee Benefits" and is based on an independent actuarial study.

In the consolidated financial statements, the Group has recognized a liability using the "Projected Unit Credit Method". Actuarial gains and losses, as long as the cumulative unrecognized portion exceed 10% of the present value of the defined benefit obligation, are recognized in the comprehensive statement of income over the average remaining working lives of employees. The employee termination benefits are discounted to the present value of the estimated future cash outflows using the discount rate estimated by qualified actuaries.

b) Defined contribution plans:

The Company pays contributions to the Social Security Institution of Turkey on a mandatory basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognized as an employee benefit expense when they are due.

## 3. Business combinations

As of December 31, 2009 and 2008, there is no business combination.

## 4. Business associations

None (December 31, 2008-None).

## 5. Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and return that are different from those of segments operating in other economic environments. Although the subsidiary of the Group operates in Morocco, the sales revenue portion of the subsidiary in the consolidated operations is 0.18% which is less than 10%, therefore the amendment does not have any effect on Group's financial statements.

(Currency-Thousands of Turkish Lira [TL] unless otherwise indicated. All other currencies are expressed in full amounts unless otherwise indicated)

## 6. Cash and cash equivalents

| | December 31, 2009 | December 31, 2008 |
|---|---|---|
| Cash on hand | 31,173 | 23,907 |
| Banks | | |
| -profit share deposits | 111,692 | - |
| -demand deposits | 17,472 | 24,477 |
| Cash in transit | 6,205 | 8,063 |
| | 166,542 | 56,447 |

There is no restricted cash as of December 31, 2009 and 2008. As of December 31, 2009 gross profit share of percentage from participation banks for TL amounts is 9.5% (December 31, 2008 - There is no profit share deposits).

## 7. Financial investments

The Group does not have any security as of December 31, 2009 and 2008.

## 8. Financial liabilities

As of December 31, 2009, the Group does not have any financial liabilities.

As of December 31, 2008, the Group has short-term loan from a participation bank amounting to TL 21.778.

| December 31, 2008 | | | |
|---|---|---|---|
| Currency | Loan amount | Profit share (%) | Maturity |
| TL | 14,271 | 22.8% | January 29, 2009 |
| TL | 7,507 | 26.4% | February 2, 2009 |
| Total | 21,778 | | |

As of December 31, 2009 and 2008, the Group does not have any long-term financial liabilities.

## 9. Other financial liabilities

None (December 31, 2008-None).

## 10. Trade receivables and payables

### a) Trade receivables, net

| | December 31, 2009 | December 31, 2008 |
|---|---|---|
| Credit card receivables | 160,905 | 113,444 |
| Trade receivables | 871 | 1,308 |
| Other receivables | 105 | 148 |
| Less: provision for doubtful receivables | (524) | (590) |
| | 161,357 | 114,310 |

As of December 31, 2009 the average term of trade receivables is 10 days (December 31, 2008-9 days).

As of December 31, 2009 and 2008, the Group does not have any overdue trade receivables except provision for doubtful receivables.

(Currency-Thousands of Turkish Lira [TL] unless otherwise indicated. All other currencies are expressed in full amounts unless otherwise indicated)

**b) Trade payables, net**

| | December 31, 2009 | December 31, 2008 |
|---|---|---|
| Other trade payables | 548,619 | 430,604 |
| | | |
| | 548,619 | 430,604 |

As of December 31, 2009, letters of guarantee and cheque amounting to TL 9,677 and mortgages amounting to TL 14.420 were received from supplier firms (December 31, 2008 - TL 21,798 letters of guarantee and cheque, TL 15.857 mortgages).

## 11. Other receivables and payables

**a)Other receivables -** As of December 31, 2009 and 2008, the Group does not have any other short-term and long-term receivables.

**b)Other payables-**As of December 31, 2009 and 2008, the Group does not have any other short-term and long-term payables.

## 12. Liabilities to and receivables from finance sector operations

None (December 31, 2008 - None).

## 13. Inventories

| | December 31, 2009 | December 31, 2008 |
|---|---|---|
| Trade goods | 255,527 | 229,342 |
| Other inventory | 2,324 | 1,516 |
| | | |
| | 257,851 | 230,858 |

As of December 31, 2009, provision for impairment of inventory amounting to TL 2,199 was recorded (December 31, 2008 - TL 2,580).

## 14. Biological assets

None (December 31, 2008-None).

## 15. Assets related with construction projects in progress

None (December 31, 2008-None).

## 16. Investment in associates

None (December 31, 2008-None).

## 17. Investment properties

None (December 31, 2008-None).

(Currency-Thousands of Turkish Lira [TL] unless otherwise indicated. All other currencies are expressed in full amounts unless otherwise indicated)

## 18. Property and equipment

The movements of property and equipment, the related accumulated depreciation and provision for impairment for the years ended December 31, 2009 and 2008 are as follows:

| | December 31, 2008 | Additions | Disposals | Transfers | Net off | Provision for impairment | Revaluation reserve | December 31, 2009 |
|---|---|---|---|---|---|---|---|---|
| **Cost or revalued amount** | | | | | | | | |
| Land | 44,136 | 22,322 | - | - | - | - | 4,294 | 70,752 |
| Land improvements | 1,145 | 660 | (21) | - | - | - | - | 1,784 |
| Buildings | 104,730 | 24,363 | - | 453 | (8,728) | (802) | (1,562) | 118,454 |
| Machinery and equipment | 198,219 | 32,695 | (1,156) | 149 | - | - | - | 229,907 |
| Vehicles | 42,317 | 7,186 | (3,386) | - | - | - | - | 46,117 |
| Furniture and fixtures | 85,511 | 11,479 | (1,197) | 62 | - | - | - | 95,855 |
| Leasehold improvements | 135,154 | 32,545 | (4,058) | (24) | - | - | - | 163,617 |
| Construction in progress | 210 | 447 | - | (640) | - | - | - | 17 |
| | 611,422 | 131,697 | (9,818) | - | (8,728) | (802) | 2,732 | 726,503 |
| **Less: Accumulated depreciation and provision for impairment** | | | | | | | | |
| Land improvements | (319) | (265) | - | - | - | - | - | (584) |
| Building | (3,854) | (4,874) | - | - | 8,728 | - | - | - |
| Machinery and equipment | (92,797) | (16,554) | 547 | - | - | - | - | (108,804) |
| Vehicles | (17,172) | (7,964) | 2,374 | - | - | - | - | (22,762) |
| Furniture and fixtures | (52,901) | (10,825) | 1,080 | - | - | - | - | (62,646) |
| Leasehold improvements | (40,167) | (13,862) | 1,415 | - | - | - | - | (52,614) |
| | (207,210) | (54,344) | 5,416 | - | 8,728 | - | - | (247,410) |
| **Net book value** | 404,212 | | | | | | | 479,093 |

(CONVENIENCE TRANSLATION OF A REPORT AND FINANCIAL STATEMENTS ORIGINALLY ISSUED İN TURKISH)

# BİM BİRLEŞİK MAĞAZALAR ANONİM ŞİRKETI AND ITS SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
## FOR THE YEAR ENDED DECEMBER 31, 2009

(Currency-Thousands of Turkish Lira [TL] unless otherwise indicated. All other currencies are expressed in full amounts unless otherwise indicated)

| | December 31, 2007 | Additions | Disposals | Transfer | December 31, 2008 |
|---|---|---|---|---|---|
| **Cost or revalued amount** | | | | | |
| Land | 40,257 | 3,879 | - | - | 44,136 |
| Land improvements | 402 | 743 | - | - | 1,145 |
| Buildings | 42,614 | 48,632 | - | 13,484 | 104,730 |
| Machinery and equipment | 149,113 | 50,482 | (1,376) | - | 198,219 |
| Vehicles | 31,570 | 13,329 | (2,582) | - | 42,317 |
| Furniture and fixtures | 66,695 | 18,962 | (177) | 31 | 85,511 |
| Leasehold improvements | 89,176 | 48,301 | (2,323) | - | 135,154 |
| Construction in progress | 2,312 | 11,413 | - | (13,515) | 210 |
| | 422,139 | 195,741 | (6,458) | - | 611,422 |
| **Less: Accumulated depreciation** | | | | | |
| Land improvements | (217) | (102) | - | - | (319) |
| Building | (1,228) | (2,626) | - | - | (3,854) |
| Machinery and equipment | (80,420) | (13,093) | 716 | - | (92,797) |
| Vehicles | (11,582) | (7,247) | 1,657 | - | (17,172) |
| Furniture and fixtures | (43,753) | (9,279) | 131 | - | (52,901) |
| Leasehold improvements | (30,768) | (10,264) | 865 | - | (40,167) |
| | (167,968) | (42,611) | 3,369 | - | (207,210) |
| **Net book value** | 254,171 | | | | 404,212 |

The land and buildings were revalued and reflected into the financial statements with their fair value. Accumulated depreciation of the revalued land and building has been eliminated against the gross carrying amounts of related assets as of December 31, 2009 and the net amount is restated to the revalued amount. The book values of such assets were adjusted to the revalued amounts and the resulting surplus net of deferred income tax was credited to revaluation surplus in the equity. The revaluation surplus is not available for distribution to shareholders.

Had the revalued assets been carried at cost less accumulated depreciation, the carrying amounts of land and buildings that would have been included in the financial statements as of December 31, 2009 and 2008 respectively are as follows:

| | Land and buildings | |
|---|---|---|
| | December 31, 2009 | December 31, 2008 |
| Cost | 185,395 | 139,291 |
| Accumulated depreciation | (12,024) | (7,153) |

(Currency-Thousands of Turkish Lira [TL] unless otherwise indicated. All other currencies are expressed in full amounts unless otherwise indicated)

As of December 31, 2009 and 2008, the gross carrying amount of property and equipment and intangibles, which are fully depreciated, but still in use, is as follows:

| | December 31, 2009 | December 31, 2008 |
|---|---|---|
| Furniture and fixtures | 38,915 | 34,201 |
| Machinery and equipment | 54,513 | 48,475 |
| Intangible assets and leasehold improvements | 16,561 | 11,814 |
| Vehicles | 3,932 | 1,523 |
| Land improvements | 173 | 168 |
| | | |
| | 114,094 | 96,181 |

**Pledges and mortgages on assets**

As of December 31, 2009 and 2008, there is no a pledge or mortgage on property and equipment of the Group.

**19. Intangible assets**

The movements of intangible assets and related accumulated amortization for the years ended December 31, 2009 and 2008 are as follows:

| | December 31, 2008 | Additions | December 31, 2009 |
|---|---|---|---|
| Cost | | | |
| Rights | 7,386 | 942 | 8,328 |
| Other intangibles | 329 | 933 | 1,262 |
| | | | |
| | 7,715 | 1,875 | 9,590 |
| | | | |
| Accumulated amortization | | | |
| Rights | (4,603) | (831) | (5,434) |
| Other intangibles | (324) | (300) | (624) |
| | | | |
| | (4,927) | (1,131) | (6,058) |
| | | | |
| Net book value | 2,788 | | 3,532 |

(Currency-Thousands of Turkish Lira (TL) unless otherwise indicated. All other currencies are expressed in full amounts unless otherwise indicated)

| | December 31, 2007 | Additions | Disposal | December 31, 2008 |
|---|---|---|---|---|
| Cost | | | | |
| Rights | 5,919 | 1,469 | (2) | 7,386 |
| Other intangibles | 329 | - | - | 329 |
| | | | | |
| | 6,248 | 1,469 | (2) | 7,715 |
| | | | | |
| Accumulated amortization | | | | |
| Rights | (3,901) | (702) | - | (4,603) |
| Other intangibles | (324) | - | - | (324) |
| | | | | |
| | (4,225) | (702) | - | (4,927) |
| | | | | |
| Net book value | 2,023 | | | 2,788 |

The intangible assets are amortized over estimated useful lives which is 5 years.

Major part of the rights is software licenses.

## 20. Goodwill

None (December 31, 2008-None).

## 21. Government incentives and grants

### Investment incentives

As of December 31, 2009 and 2008, the Group does not have any investment incentive.

## 22. Provisions, contingent assets and liabilities

### Other provisions for accruals

As of December 31, 2009 and 2008, the Group has TL 2,873 and TL 2,567 provisions for telephone, electricity, water and other short term liabilities, respectively.

### Legal issues

As of December 31, 2009 and 2008, the total amount of outstanding lawsuits filed against the Group is TL 4,400 and TL 2,618 in historical terms, respectively, for which the Group set full provision in the related periods.

(Currency-Thousands of Turkish Lira [TL] unless otherwise indicated. All other currencies are expressed in full amounts unless otherwise indicated)

### Letter of guarantees, mortgages and pledges given by the Group

As of December 31, 2009 and 2008, breakdown of the guarantees, mortgage and pledges given by the Group is as follows:

| | December 31, 2009 | December 31, 2008 |
|---|---|---|
| A. Total amount of guarantees, mortgages and pledges provided by the Group on behalf of itself | 1,268 | 619 |
| B. Total amount of guarantees, mortgages and pledges provided on behalf of the associates accounted under full consolidation method | 1,702 | 1,661 |
| C. Provided on behalf of third parties in order to maintain operating activities to secure third party payables | - | - |
| D. Other guarantees, mortgages and pledges given | - | - |
| Total | 2,970 | 2,280 |

### Insurance coverage on assets

As of December 31, 2009 and 2008, insurance coverage on assets of the Group is TL 441,254 and TL 356,736, respectively.

## 23. Commitments

### Operating leases

As of December 31, 2009 and 2008, the Group has operating lease commitments for each of the following years:

| | December 31, 2009 | December 31, 2008 |
|---|---|---|
| Not later than one year | - | 16 |
| Later than one year and not later than five years | 108 | 188 |
| Later than five years | 28 | 33 |

## 24. Employee termination benefits

### Reserve for employee termination benefits

In accordance with existing social legislation, the Company is required to make lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct. In Turkey, such payments are calculated on the basis of 30 days' pay (limited to a maximum of historical TL 2,365 (full TL) and TL 2,173 (full TL) at December 31, 2009 and 2008, respectively) per year of employment at the rate of pay applicable at the date of retirement or termination. The cost of providing those benefits is accrued over the employees' service period. The Group accounts for the employee termination benefits in accordance with the provisions of IAS 19 including the application of actuarial methods and assumptions by professional actuaries. Actuarial gains and losses, as long as the cumulative unrecognized portion exceeds 10% of the present value of defined benefit obligation, are recognized in the statement of comprehensive income over the average remaining working lives of employees. Reserve for employee termination benefits are calculated as of December 31, 2009 and 2008.

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The following tables summarize the components of net benefit expense recognized in the comprehensive statement of income and amounts recognized in the balance sheet:

| | January 1 - December 31, 2009 | January 1 - December 31, 2008 |
|---|---|---|
| Current service cost | 1,778 | 1,240 |
| Financial expense of employee termination benefit | 777 | 504 |
| Actuarial (gain)/loss | - | (4) |
| **Total expense** | 2,555 | 1,740 |

| Provision for employee termination benefits: | January 1 - December 31, 2009 | January 1 - December 31, 2008 |
|---|---|---|
| Defined benefit obligation | 10,429 | 6,629 |
| Unrecognized actuarial (gains)/losses | (2,862) | (280) |
| | 7,567 | 6,349 |

Changes in the carrying value of defined benefit obligation are as follows:

| | January 1 - December 31, 2009 | January 1 - December 31, 2008 |
|---|---|---|
| Beginning balance | 6,629 | 5,101 |
| Financial expense of employee termination benefit | 777 | 504 |
| Current service cost | 1,778 | 1,240 |
| Benefits paid | (1,337) | (1,106) |
| Actuarial (gain)/loss | 2,582 | 890 |
| **Balance at period end** | 10,429 | 6,629 |

The principal actuarial assumptions used at each balance sheet date are as follows:

| | December 31, 2009 | December 31, 2008 |
|---|---|---|
| Discount rate | 11% | 12% |
| Expected rate of salary/limit increases | 4.8% | 5.4% |

## 25. Employee pension plans

None (December 31, 2008-None).

## 26. Other assets and liabilities

### a) Other current assets

| | December 31, 2009 | December 31, 2008 |
|---|---|---|
| Advances given | 18,402 | 15,145 |
| Prepaid expenses | 5,694 | 6,184 |
| VAT receivable | 1,826 | - |
| Other | 438 | 118 |
| | 26,360 | 21,447 |

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### b) Other non-current assets

| | December 31, 2009 | December 31, 2008 |
|---|---|---|
| Advances given for tangible asset purchases | 1,724 | 2,470 |
| Other (*) | 3,202 | 6,418 |
| | | |
| | 4,926 | 8,888 |

(*) The Group has consolidated the BIM Stores SARL, which is subsidiary of the Company with 100% ownership, as of December 31, 2009. As of December 31, 2008, since subsidiary had not started its operations and was not material, the subsidiary was not consolidated and reflected as TL 4,795 in other non-current assets.

### c) Other short-term liabilities

| | December 31, 2009 | December 31, 2008 |
|---|---|---|
| Income tax and social security taxes payable | 6,343 | 6,292 |
| VAT payable | 6,317 | 3,531 |
| Other tax and funds payable | 7,165 | 6,131 |
| Other | 901 | 467 |
| | | |
| | 20,726 | 16,421 |

As of December 31, 2009, the Group does not have any other long-term liability. (December 31, 2008- includes USD 136,360 (TL 206) which is the long-term portion of notes payable amounting to USD 270,760 that was issued to acquire a land in Balıkesir.)

## 27. Shareholders' equity

### a) Share capital and capital reserves

As of December 31, 2009 and 2008, the breakdown of shareholders and their ownership percentages in the Company (all in historical terms) are summarized as follows:

| | December 31, 2009 | | December 31, 2008 | |
|---|---|---|---|---|
| | Historical amount | % | Historical amount | % |
| Mustafa Latif Topbaş | 14,133 | 18.6 | 14,733 | 19.4 |
| Abdulrahman A. El Khereiji | 10,311 | 13.6 | 14,106 | 18.6 |
| Ahmet Afif Topbaş | 5,886 | 7.8 | 5,286 | 7.0 |
| Zuhair Fayez | 2,994 | 4.0 | 2,994 | 4.0 |
| Firdevs Çizmeci | 900 | 1.2 | 900 | 1.1 |
| Ömer Hulusi Topbaş | 90 | 0.1 | 90 | 0.1 |
| Publicly traded | 41,586 | 54.8 | 37,791 | 49.8 |
| | | | | |
| | 75,900 | 100 | 75,900 | 100 |

The Company's share capital is fully paid and consists of 75,900,000 shares of TL 1 nominal value.

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### Revaluation fund

As of December 31, 2009 and 2008, Group has revaluation surplus amounting TL 15,704 (December 31, 2008 - TL 12,874) related to revaluation of land and buildings. The revaluation surplus is not available for distribution to shareholders.

### Inflation adjustment on equity items

As of December 31, 2009 and 2008 inflation adjustment on equity items amounting TL 6,956 is related with inflation adjustment on paid-in share capital as of December 31, 2004.

### b) Restricted reserves allocated from profits/prior year profits

The legal reserves consist of first and second legal reserves, per the Turkish Commercial Code (TCC). The TCC stipulates that the first legal reserve is appropriated out of net statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Company's historical paid-in share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the historical paid-in share capital. Under TCC, the legal reserves are not available for distribution unless they exceed 50% of the historical paid-in share capital but may be used to offset losses in the event that historical general reserve is exhausted.

The statutory accumulated profits and statutory current year profit are available for distribution, subject to the reserve requirements referred to above and Turkish Capital Market Board (CMB) requirements related to profit distribution.

Listed companies are subject to dividend requirements regulated by the Turkish Capital Market Board as follows:

In accordance with the Capital Market Board decision number 1/6 dated January 9, 2009, during the calculation of distributable profits by the companies obliged to prepare financial statements; the companies can determine the amount of distributable profits by taking into account the net profit on the financial statements that are prepared and announced to the public according to No:XI-29 "Communiqué on Financial Reporting Standards in Capital Markets" which includes profits from associates, joint ventures and subsidiaries that are transferred to the profit of the Company, regardless of whether these companies' general assembly approved any dividend distributions, as soon as these distributable profits can be funded by the reserves in the statutory accounts of the companies.

In accordance with the Capital Market Board decision in January 27, 2010, it is decided that there is no dividend distribution requirements for the listed companies whose shares are traded on the stock exchange.

Inflation adjustment to shareholders' equity and book value of extraordinary reserves can be used as an internal source in capital, dividend distribution in cash or net-off against prior years' loss. In case the inflation adjustment to shareholders' equity is used for dividend distribution in cash, the distribution is subject to corporate tax.

As of December 31, 2009 and 2008 legal reserves, prior year profits and net income for the period in statutory accounts of the Company are as follows:

| | December 31, 2009 | December 31, 2008 |
|---|---|---|
| Legal reserves | 34,072 | 19,469 |
| Prior year profits | 9,023 | 8,576 |
| Net income for the period | 216,098 | 109,911 |
| | | |
| | 259,193 | 137,956 |

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Net profit per the Company's statutory books is TL 216,098 and net profit per consolidated financial statements in accordance with CMB accounting standards is TL 212,942. After the deduction of first legal reserves, profits retained in the statutory books amount to TL 208,318. As of the report date, the Company has not yet decided to distribute dividends related with 2009 profit.

**Dividend Paid**

As decided at the General Assembly meeting held on April 24, 2009 and Extraordinary General Assembly meeting held on November 10, 2009, the Group has distributed dividend from 2008 profit amounting to TL 60,720 and TL 34,156.

## 28. Sales and cost of sales

### a) Net sales

The Group's net sales for the years ended December 31, 2009 and 2008 are as follows:

| | January 1-<br>December 31, 2009 | January 1-<br>December 31, 2008 |
|---|---:|---:|
| Domestic sales | 5,333,819 | 4,260,006 |
| Sales in abroad | 9,638 | - |
| Sales return (-) | (20,067) | (17,594) |
| | | |
| | 5,323,390 | 4,242,412 |

### b) Cost of sales

| | January 1-<br>December 31, 2009 | January 1-<br>December 31, 2008 |
|---|---:|---:|
| Beginning inventory | 229,342 | 166,066 |
| Purchases | 4,404,686 | 3,609,058 |
| Ending inventory | (255,527) | (229,342) |
| | | |
| | 4,378,501 | 3,545,782 |

## 29. Selling, marketing and distribution and general and administrative expenses

### a) Selling, marketing and distribution expenses

| | January 1-<br>December 31, 2009 | January 1-<br>December 31, 2008 |
|---|---:|---:|
| Personnel expenses | 252,716 | 196,513 |
| Rent expenses | 149,613 | 114,974 |
| Depreciation and amortisation expenses | 49,679 | 38,982 |
| Water, electricity and communication expenses | 45,843 | 35,772 |
| Packaging expenses | 25,352 | 22,105 |
| Advertising expenses | 17,610 | 14,493 |
| Trucks fuel expense | 15,993 | 17,633 |
| Maintenance and repair expenses | 14,639 | 14,495 |
| Provision for employee termination benefit | 1,469 | 1,016 |
| Other selling and marketing expenses | 21,078 | 19,777 |
| | | |
| | 593,992 | 475,760 |

(Currency-Thousands of Turkish Lira [TL] unless otherwise indicated. All other currencies are expressed in full amounts unless otherwise indicated)

### b) General and administrative expenses

| | January 1-December 31, 2009 | January 1-December 31, 2008 |
|---|---|---|
| Personnel expenses | 59,464 | 44,844 |
| Depreciation and amortisation expenses | 5,796 | 4,331 |
| Money collection expenses | 3,522 | 3,415 |
| Legal and consultancy expenses | 2,787 | 1,908 |
| Motor vehicle expenses | 3,786 | 3,815 |
| Communication expenses | 1,024 | 1,365 |
| Office supplies expenses | 496 | 582 |
| Provision for employee termination benefits | 309 | 220 |
| Other general and administrations expenses | 15,004 | 14,458 |
| | 92,188 | 74,938 |

## 30. Expenses as to nature

### a) Depreciation and amortization expenses

| | January 1-December 31, 2009 | January 1-December 31, 2008 |
|---|---|---|
| Selling, marketing and distribution expenses | 49,679 | 38,982 |
| General and administrative expenses | 5,796 | 4,331 |
| | 55,475 | 43,313 |

### b) Personnel expenses

| | January 1-December 31, 2009 | January 1-December 31, 2008 |
|---|---|---|
| Wages and salaries | 272,659 | 203,422 |
| Provision for employee termination benefits | 1,778 | 1,236 |
| Social security premiums-employer contribution | 39,521 | 37,935 |
| | 313,958 | 242,593 |

## 31. Other operating income and expense

### a) Other operating income

| | January 1-December 31, 2009 | January 1-December 31, 2008 |
|---|---|---|
| Gain on sale of scrap materials | 3,198 | 4,596 |
| Other income | 6,931 | 3,771 |
| | 10,129 | 8,367 |

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### b) Other operating expense

| | January 1- December 31, 2009 | January 1- December 31, 2008 |
|---|---|---|
| Loss on sale of property and equipment | 2,145 | 1,798 |
| Provision for impairment of property and equipment | 802 | - |
| Provision expenses | 1,917 | 1,498 |
| Other expense | 1,599 | 1,039 |
| | 6,463 | 4,335 |

## 32. Financial income

| | January 1- December 31, 2009 | January 1- December 31, 2008 |
|---|---|---|
| Financial income | | |
| Income on profit share account-deposits | 7,346 | 1,933 |
| Foreign exchange gains | 562 | 441 |
| Total financial income | 7,908 | 2,374 |

## 33. Financial expenses

| | January 1- December 31, 2009 | January 1- December 31, 2008 |
|---|---|---|
| Financial expense | | |
| Finance charge on employee termination benefit | 777 | 504 |
| Banking charges | 494 | 4,211 |
| Foreign exchange losses | 405 | 4,163 |
| Other financial expense | 36 | 50 |
| Total financial expenses | 1,712 | 8,928 |

## 34. Asset held for resale and discontinued operations

None (December 31, 2008-None).

## 35. Tax assets and liabilities

As of December 31, 2009 and 2008, provision for taxes of the Group is as follows:

| | December 31, 2009 | December 31, 2008 |
|---|---|---|
| Current period tax provision | 54,777 | 27,589 |
| Prepaid taxes | (43,143) | (24,333) |
| Corporate tax payable | 11,634 | 3,256 |

In Turkey, as of December 31, 2009 corporate tax rate is 20%. Corporate tax returns are required to be filed by the twenty-fifth day of the fourth month following the balance sheet date and taxes must be paid in one installment by the end of the fourth month. The tax legislation provides for a temporary tax of 20% to be calculated and paid based on earnings generated for each quarter. The amounts thus calculated and paid are offset against the final corporate tax liability for the year.

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Corporate tax losses can be carried forward for a maximum period of 5 years following the year in which the losses were incurred. The tax authorities can inspect tax returns and the related accounting records for a retrospective maximum period of five years.

15% withholding applies to dividends distributed by resident corporations resident real persons except for, those who are not liable to income and corporation tax, non-resident real persons, non-resident corporations. Dividend distribution by resident corporations to resident corporations is not subject to a withholding tax. Furthermore, in the event the profit is not distributed or included in capital, no withholding tax shall be applicable.

As of December 31, 2009 and 2008, temporary differences based for deferred tax and deferred tax asset/liability calculated by using applicable tax rates are as follows:

| | Balance sheet | | Comprehensive income statement | |
|---|---|---|---|---|
| | December 31, 2009 | December 31, 2008 | January 1- December 31, 2009 | January 1- December 31, 2008 |
| **Deferred tax liability** | | | | |
| Restatement effect on non-monetary items in accordance with IAS 29 | 15,192 | 13,406 | 1,786 | 2,604 |
| **Deferred tax asset** | | | | |
| Reserve for employee termination benefit | (1,500) | (1,270) | (230) | (127) |
| Other adjustments | (2,731) | (1,929) | (802) | (836) |
| **Deferred tax** | 10,961 | 10,207 | 754 | 1,641 |

Movement of net deferred tax liability for the years ended December 31, 2009 and 2008 is presented as follows:

| | January 1- December 31, 2009 | January 1- December 31, 2008 |
|---|---|---|
| Opening balance | 10,207 | 8,566 |
| Deferred tax expense/(income) recognized in statement of comprehensive income | 852 | 1,641 |
| Deferred tax credit recognized in revaluation surplus | (98) | - |
| **Balance at the end of period** | 10,961 | 10,207 |

**Tax reconciliation**

| | January 1- December 31, 2009 | January 1- December 31, 2008 |
|---|---|---|
| Net income before tax | 268,571 | 143,410 |
| Corporation tax at effective tax rate of 20% | (53,714) | (28,682) |
| Disallowable expenses | (650) | (601) |
| Effect of non-tax deductible and tax exempt items | 52 | 480 |
| Other | (1,317) | (427) |
| **Provision for taxes** | (55,629) | (29,230) |
| -Current | (54,777) | (27,589) |
| -Deferred | (852) | (1,641) |

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## 36. Earnings per share

Basic earnings per share (EPS) is calculated by dividing the net profit for the period by the weighted average number of ordinary shares outstanding during the period. The basic EPS for the period ended December 31, 2009 and 2008 are 2,806 (full TL) and 1,504 (full TL), respectively. All shares of the Company are in same status.

| Number of shares | December 31, 2009 | December 31, 2008 |
|---|---|---|
| Beginning of the period | 75,900,000 | 25,300,000 |
| Number of free shares issued by using internal sources | - | 50,600,000 |
| Period end | 75,900,000 | 75,900,000 |

## 37. Related party disclosures

### a) Due to related parties

Due to related parties balances as of December 31, 2009 and 2008 are as follows:

**Payables related to goods and services received**

| | December 31, 2009 | December 31, 2008 |
|---|---|---|
| Ak Gıda A.Ş. (Ak Gıda) (1) | 50,939 | 43,439 |
| Teközel Gıda Tem.Sağ.Mar.Ltd. Şti (Teközel) (1) | 29,874 | 18,206 |
| Başak Gıda Dağıtım ve Pazarlama A.Ş. (Başak) (1) | 14,089 | 15,263 |
| Hedef Tüketim Ürün ve Dış Ticaret A.Ş.(Hedef) (1) | 6,283 | 62 |
| Marsan Gıda San. ve Tic. A.Ş. (Marsan) (1) | 2,281 | 1,837 |
| Natura Gıda San. ve Tic. A.Ş. (Natura) (1) | 998 | - |
| Seher Gıda Paz. San. ve Tic. A.Ş. (Seher) (1) | 353 | 30 |
| Bahariye Tekstil San. Tic. A.Ş. (1) | 9 | 4 |
| | | |
| | 104,826 | 78,841 |

(1) Companies owned by shareholders of the Company

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### b) Related party transactions

For the years ended December 31, 2009 and 2008, summary of the major transactions with related parties are as follows:

(i) Purchases from related parties during the periods ended December 31, 2009 and 2008 are as follows:

| | January 1- December 31, 2009 | January 1- December 31, 2008 |
|---|---|---|
| Ak Gıda (1) | 395,454 | 321,302 |
| Başak (1) | 138,624 | 90,511 |
| Teközel (1) | 165,713 | 79,896 |
| Natura (1) | 25,351 | 19,354 |
| Marsan (1) | 12,979 | 14,144 |
| Hedef (1) | 23,375 | 1,681 |
| Bahariye (1) | 2,178 | 1,871 |
| Seher (1) | 1,297 | 155 |
| | | |
| | 764,971 | 528,914 |

(1) Companies owned by shareholders of the Company

(ii) For the years ended December 31, 2009 and 2008 salaries, bonuses and compensations provided to board of directors and key management comprising of 68 and 45 personnel, respectively, are as follows:

| | January 1- December 31, 2009 | January 1- December 31, 2008 |
|---|---|---|
| Short-term benefits | 15,950 | 9,440 |
| Long-term defined benefits | 449 | 108 |
| | | |
| Total benefits | 16,399 | 9,548 |

(iii) For the years ended December 31, 2009 and 2008 the Company received service from the related party, Proline Bilişim Sistemleri ve Ticaret A.Ş. amounting TL 557 and TL 2,423, respectively.

## 38. Nature and level of risks arising from financial instruments

The Group is exposed to a variety of financial risks, including the effects of changes in debt and equity market prices, foreign currency exchange rates and profit share rates. These risks are market risk (including foreign currency risk and profit share rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Group.

The Group's principal financial instruments comprise cash and short-term bank loans. The main purpose of using these financial instruments is to raise finance for the Group's operations. The Group has other financial instruments such as trade receivables and payables which arise directly from its operations. The Group manages its capital through cash provided by its operations and review of the maturities of the trade payables.

### Price risk

Price risk is a combination of foreign currency, profit share and market risk. The Group naturally manages its price risk by matching the same foreign currency denominated receivable and payables and assets and liabilities bearing profit share. The Group closely monitors its market risk by analyzing the market conditions and using appropriate valuation methods.

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### Profit share rate risk

The Group does not have material profit share rate sensitive asset. The Group's income and cash flows from operations are independent from profit share rate risk.

The Group's profit share rate risk mainly comprises of outstanding short-term borrowings in the prior period. The Group's forthcoming loans in order to continue its operating activities are effected from forthcoming profit share ratios.

### Profit share rate position table

According to IFRS 7 "Financial Assets", the profit share rate position of the Group is as follows:

| Profit share position table | | Current period | Prior period |
|---|---|---|---|
| | **Fixed-profit share bearing financial instruments** | | |
| Financial assets | Financial assets at fair value through profit/loss | 111,692 | - |
| | Available for sale financial assets | - | - |
| Financial liabilities | | - | 21,778 |
| | **Variable profit share bearing financial instruments** | | |
| Financial assets | | - | - |
| Financial liabilities | | - | - |

### Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Since the Group is engaged in the retail sector and transactions are mainly on a cash basis or has 1 month maturity credit card collections, the exposure to credit and price risk is minimal.

### Credit risk table (Current period)

| | Credit card receivable | | Bank deposits | |
|---|---|---|---|---|
| | Related party | Other party | Related party | Other Party |
| Maximum credit risk exposures as of report date | - | 160,905 | - | 129,164 |
| Maximum risk secured by guarantees | - | - | - | - |
| A. Net book value of financial assets neither overdue nor impaired | - | 160,905 | - | 129,164 |

### Credit risk table (Prior period)

| | Credit card receivable | | Bank deposits | |
|---|---|---|---|---|
| | Related party | Other party | Related party | Other party |
| Maximum credit risk exposures as of report date | - | 113,444 | - | 24,477 |
| Maximum risk secured by guarantees | - | - | - | - |
| A. Net book value of financial assets neither overdue nor impaired | - | 113,444 | - | 24,477 |

Since the Company does not have material assets and liabilities denominated in foreign currency, the Company does not use derivative instruments or forward contracts for hedging foreign currency risks.

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## Foreign currency position

As of December 31, 2009 and 2008, the Group's foreign currency position is as follows:

| | December 31, 2009 | | | | December 31, 2008 | | | |
|---|---|---|---|---|---|---|---|---|
| | TL equivalent | USD | Euro | GBP | TL equivalent | USD | Euro | GBP |
| **Assets** | | | | | | | | |
| Banks | 9 | 1,171 | 3,204 | - | 27 | 322 | 12,367 | 1 |
| Other current assets | 12 | 6,100 | 1,278 | - | 136 | 90,100 | - | - |
| | | | | | | | | |
| **Total assets** | 21 | 7,271 | 4,482 | - | 163 | 90,422 | 12,367 | 1 |
| | | | | | | | | |
| **Liabilities** | | | | | | | | |
| Other short-term liabilities | 213 | 141,532 | - | - | 203 | 134,400 | - | - |
| Other long-term liabilities | - | - | - | - | 206 | 136,360 | - | - |
| | | | | | | | | |
| **Total liabilities** | 213 | 141,532 | - | - | 409 | 270,760 | - | - |
| | | | | | | | | |
| **Net foreign currency position** | (192) | | | | (246) | | | |

## Exchange rate risk

The following table demonstrates the sensitivity to a possible change of 10% in the U.S Dollar, Euro and GBP exchange rates, with all other variables held constant, of the Group's profit before tax as of December 31, 2009 and 2008:

| | | Increase in exchange rate | | Decrease in exchange rate | |
|---|---|---|---|---|---|
| **December 31, 2009** | USD | +10% | (20) | (10%) | 20 |
| | Euro | +10% | 1 | (10%) | (1) |
| | GBP | +10% | - | (10%) | - |
| | | | | | |
| December 31, 2008 | USD | +10% | (27) | (10%) | 27 |
| | Euro | +10% | 3 | (10%) | (3) |
| | GBP | +10% | - | (10%) | - |

## Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions.

The ability to fund existing and prospective debt requirements is managed by maintaining the availability of adequate committed funding lines from high quality lenders.

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As of December 31, 2009 and 2008, maturities of undiscounted trade payables and financial liabilities are as follows:

December 31, 2009

| Contractual maturities | Book value | Total cash outflow | Less than 3 months | Between 3-12 months | Between 1-5 year | More than 5 years |
|---|---|---|---|---|---|---|
| Non derivative financial liabilities | | | | | | |
| Bank borrowings | - | - | - | - | - | - |
| Trade payables | 552,263 | 552,263 | 552,263 | - | - | - |
| Due to related parties | 105,525 | 105,525 | 105,525 | - | - | - |

December 31, 2008

| Contractual maturities | Book value | Total cash outflow | Less than 3 months | Between 3-12 months | Between 1-5 year | More than 5 year |
|---|---|---|---|---|---|---|
| Non derivative financial liabilities | | | | | | |
| Bank borrowings | 21,778 | 21,778 | 21,778 | - | - | - |
| Trade payables | 436,734 | 436,734 | 436,734 | - | - | - |
| Due to related parties | 79,966 | 79,966 | 79,966 | - | - | - |

## 39. Financial instruments (fair value disclosures and disclosures in the frame of hedge accounting)

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

The estimated fair values of financial instruments have been determined by the Group using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Group could realize in a current market exchange.

The Group considers that carrying amounts reflect fair values of the financial instruments.

**Financial assets**

The fair values of certain financial assets carried at cost including cash and cash equivalents profit share accruals and other short term financial assets are considered to approximate their respective carrying values due to their short-term nature. The carrying value of trade receivables along with the related allowance for unearned income and uncollectibility are estimated to be their fair values.

**Financial liabilities**

**Financial liabilities of which fair values approximate their carrying values:**

Fair values of trade payables and other monetary liabilities are considered to approximate their respective carrying values due to their short-term nature. The bank borrowings are stated at their amortized costs and transaction costs are included in the initial measurement of loans and bank borrowings. The fair value of bank borrowings with variable rates are considered to approximate their respective carrying values since the profit share rate applied to bank loans and borrowings are updated periodically by the lender to reflect active market price quotations. The carrying value of trade payables along with the related allowance for unrealized cost is estimated to be their fair values.

## 40. Subsequent events

None.

## 41. Other matters that significantly affect financial statements or are necessary for openness, interpretability and clearness of the financial statements

There is no other matters having significant impact on or requiring explanation in order to provide the clarity, interpretability and perceptibility of the financial statements as of December 31, 2009 and 2008.

**Jucy Fruit Nectars**
Produced from natural fruit. The best refreshment beverage next to water



**Agu Baby**
Shampoo with special eye-protecting formula makes baby's bath time fun



**Berk Tea**
Tea brand, creating difference with taste and an affordable price

**Dost Milk Assortment**
UHT treated, homogenized, child-friendly milk assortment


**Le'Cola**
The shortest route to refreshment

**Efor Grape Vinegar**
A delicious choice for salads and other dishes


**Bind Activit**
Dishwashing detergent with a special effective formula

**Fıçı Mixed Pickles**
Fair price, superior taste, natural and healthy products.



**Dost Yogurt Assortment**
Natural, thick, tastes like homemade

**Çiğdem Corn Oil**
Healthy, light, natural tasting


**Efsane Flour**
Hygienic production conditions, totally automated



**Cardella Makarna**
Fair price, superior taste

**Art Matik**
A brand is born in detergents, with its quality and at a fair price